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*ALASKA RETIREMENT MANAGEMENT BOARD*

BOARD OF TRUSTEES MEETING

June 26-27, 2014

*Kenai-Denali Room  
Marriott Anchorage  
Downtown  
820 West 7th Avenue  
Anchorage, Alaska  
907 279-8000*

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*Thursday, June 26, 2014*

- I. 9:00 am Call to Order
- II. Roll Call
- III. Public Meeting Notice
- IV. Approval of Agenda
- V. Public/Member Participation, Communications, and Appearances  
(Three Minute Limit)
- VI. Approval of Minutes - April 24-25, 2014
  
- VII. 9:10 Reports
  - 1. Chair Report, *Gail Schubert*
  
  - 2. Committee Reports
    - A. Audit Committee, *Martin Pihl, Chair*
    - B. Evaluation Committee-General Consultant RFP  
*Gary Bader, Chair*
  
  - 3. Retirement & Benefits Division Report
    - A. Buck Consulting Invoices (informational)
    - B. Membership Statistics
    - C. DRB Update  
*Jim Puckett, COO, Division of Retirement & Benefits*
  
  - 4. Treasury Division Report  
*Pamela Leary, Director, Treasury Division*
  
  - 5. CIO Report  
*Gary Bader, Chief Investment Officer*
  
- 9:40-10:00 6. Fund Financial Presentation  
*Scott Jones, Comptroller, DOR*  
*Kevin Worley, CFO, Division of Retirement & Benefits*
  
- 10:00-10:30 7. Abbott Capital Management  
*Jonathan Roth and Tim Maloney*

*10:30 - Break  
10 Minutes*

10:40-11:10 8. Pathway Capital Management  
*Jim Chambliss and Canyon Lew*

11:15-12:15 9. Performance Measurement - 1<sup>st</sup> Quarter  
*Paul Erlendson and Dana Brown*  
*Callan Associates, Inc.*

*Lunch - 12:15 - 1:30 pm*

1:30-1:45 10. Investment/Procurement Actions  
A. Res 2014-11 Convertible Bond Investment Guidelines  
B. Res 2014-12 Delegation of Authority  
C. Res 2014-13 Asset Allocation  
D. Manager Search Approval  
E. Cornerstone Real Estate Advisers  
F. RFP Performance Consultant Audit  
G. RFP 2014-010 General Consultant Search [handout]  
H. GRS Contract Option [handout]

1:45 11. Actuarial Review/Acceptance-Certification of  
FY13 Valuations

1:45-2:30 A. Update on Legislation  
SCS HB385(FIN) and HCS CSSB119(FIN)AM H  
*Rob Johnson, ARMB Legal Counsel*  
*Chris Poag, Department of Law*

2:30-2:45 B. GRS Review Comments  
*Leslie Thompson, Gabriel Roeder Smith*

2:45-3:15 C. Presentation re Rate Setting Lag  
*Dave Slishinsky, Buck Consultants*

*3:15 - Break*  
*15 Minutes*

3:30-

D. Board Discussion/Questions

*Action: Board Acceptance of GRS Certification for  
FY13 PERS/TRS, DC Plan, Roll-Forward NGNMRS, JRS*

*Action: Board Acceptance of FY 13 Buck Valuations for  
PERS/TRS, DC Plan, and*

*Action: Board Acceptance of FY 13 Buck Roll-Forward  
NGNMRS Valuation*

*Action: Setting Contribution Rates/September 2014*

End of Day



*Friday, June 27, 2014*

9:00 Call to Order

9:00-9:45 11. Economic Round Table Discussion

9:50-10:10 12. Frontier Capital (small cap mandate)  
*T.J. Duncan*

10:15-10:35 13. Jennison Associates (small cap mandate)  
*Peter Reinemann and Jeff McCarthy*

*10:35 - Break  
10 Minutes*

10:45-11:05 14. Lord Abbett (small cap mandate)  
*Frank Paone and Tom O'Halloran*

11:10-11:30 15. Luther King (small cap mandate)  
*Mark Johnson and Steve Purvis*

VIII. Unfinished Business

1. Calendar, *Judy Hall, Liaison Officer*  
Action: Adopt Proposed 2015 Calendar
2. Disclosure Report, *Judy Hall, Liaison Officer*
3. Legal Report, *Rob Johnson, Legal Counsel*

IX. New Business

X. Other Matters to Properly Come Before the Board

XI. Public/Member Comments

XII. Investment Advisory Council Comments

XIII. Trustee Comments

XIV. Future Agenda Items

XV. Adjournment

(Times are approximate. Every attempt will be made to stay on schedule; however, adjustments may be made.)

**State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
MEETING**

**Location:**  
Dena'Ina Convention Center  
K'enakatnu Room  
600 West Seventh Avenue  
Anchorage, Alaska

**MINUTES OF  
April 24-25, 2014**

**Thursday, April 24, 2014**

**CALL TO ORDER**

CHAIR GAIL SCHUBERT called the meeting of the Alaska Retirement Management Board (ARMB) to order at 9:04 a.m.

**ROLL CALL**

Eight ARMB trustees were present at roll call to form a quorum.

**Board Members Present**

Gail Schubert, *Chair*  
Sam Trivette, *Vice Chair*  
Gayle Harbo, *Secretary*  
Kristin Erchinger (Telephonic)  
Commissioner Curtis Thayer  
Tom Brice  
Sandi Ryan  
Martin Pihl

**Board Members Absent**

Commissioner Angela Rodell

**Investment Advisory Council Members Present**

Dr. William Jennings  
Robert Shaw

**Department of Revenue Staff Present**

Gary M. Bader, Chief Investment Officer  
Scott Jones, State Comptroller  
Zachary Hanna, State Investment Officer  
Pamela Leary, Director, Treasury Division

Judy Hall, Board Liaison

**Department of Administration Staff Present**

Mike Barnhill, Deputy Commissioner

Jim Puckett, Chief Operating Officer, Division of Retirement & Benefits

Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits

Kathy Lea, Chief Pension Officer, Division of Retirement & Benefits

Michele Michaud, Chief Health Official, Division of Retirement & Benefits

**Consultants, Invited Participants, and Others Present**

Robert Johnson, ARMB Legal Counsel

Ben Fischer, Allianz Global Investors

Melody McDonald, Allianz Global Investors

Burns McKinney, Allianz Global Investors

Jim Robertson, Allianz Global Investors

Manolis Liodakis, Arrowstreet Capital Limited Partnership

Neil Tremblay, Arrowstreet Capital Limited Partnership

Larysa Bemko, Baillie Gifford

Gerard Callahan, Baillie Gifford

Monica DeGraff, Buck Consulting

Chris Hulla, Buck Consulting

Michael O'Leary, Callan Associates, Inc.

Paul Erlendson, Callan Associates, Inc.

Leslie Thompson, Gabriel Roeder Smith

David Slishinsky, Buck Consulting

Perry Christie, Great West

Jennifer Gibson, State Street

**PUBLIC MEETING NOTICE**

JUDY HALL confirmed that public meeting notice requirements had been met.

**APPROVAL OF AGENDA**

MS. RYAN moved to approve the agenda. MR. TRIVETTE seconded the motion.

CHAIR SCHUBERT requested to add 11D. Authority to Contract. With that amendment, the agenda was approved.

**COMMUNICATIONS, PUBLIC/MEMBER PARTICIPATION, AND APPEARANCES**

There were no public comments.

**APPROVAL OF MINUTES: February 6-7, 2014**

MS. HARBO moved to approve the minutes of the February 6-7, 2014 meeting. MS. RYAN seconded the motion.

MR. TRIVETTE recollected MR. LARRY SEMMONS did speak to the Committee at the meeting in Juneau and it is not reflected in the minutes. MS. HALL reported there is a word-for-word transcript of the minutes and MR. SEMMONS' comments would be included in that transcript.

The minutes were approved.

## **REPORTS**

### **1. CHAIR REPORT**

CHAIR SCHUBERT had nothing to report, but welcomed COMMISSIONER THAYER to the Board and looks forward to his participation.

### **2. COMMITTEE REPORTS**

#### **A. Legislative Committee**

CHAIR SCHUBERT reported the Legislative Committee met April 23, the day before this board meeting. She commented there was a very good discussion regarding the legislative session and the retirement system legislation. CHAIR SCHUBERT stated the charter was reviewed. No action items occurred during the meeting. CHAIR SCHUBERT noted issues discussed at the meeting will be presented later in the agenda.

#### **B. General Consultant Evaluation Committee**

Chief Investment Officer GARY BADER reported the Committee met April 23, the day before this board meeting, and members included MR. BADER, KATHY LEA, Trustee BRICE, and Trustee HARBO. There will be a report on findings later in the agenda.

#### **C. Real Estate Consultant Evaluation Committee**

MR. BADER stated that Trustee ERCHINGER was appointed Chair of the Real Estate Consultant Evaluation Committee. Other members included MR. SIKES and MR. BADER. There will be an action memo and a report later in the agenda.

#### **D. IAC Evaluation Committee**

CHAIR SCHUBERT reported the IAC Evaluation Committee met April 23, the day before this board meeting, and elected CHAIR SCHUBERT as the Chair of that Committee. There was an action item concerning the appointment of an IAC member. That action item will be reported upon later in the agenda.

### **3. RETIREMENT & BENEFITS DIVISION REPORT**

MR. BARNHILL reported a management change that was implemented in the Retirement & Benefits Division, the adoption of a Chief Officer model, which is very common in pension systems throughout the country. The positions created are, Chief Pension Officer, KATHY LEA, Chief Health Official, MICHELE MICHAUD, Chief Operating Officer, JIM PUCKETT, and Chief Financial Officer, KEVIN WORLEY. He hopes the change produces significant dividends for the future.

MR. BARNHILL stated MS. LEA is the primary official responsible for administering 10 different pension systems, consisting of 42,000 retirees, almost 50,000 actives. The expectation is to increase to 52,000 retirees in next 10 years. There is an incredible amount of subject matter complexity in operating one pension system. MS. LEA will also manage the optional benefits, including life insurance, accidental death and dismemberment, with 16 participating municipalities.

MR. BARNHILL commented that MS. MICHAUD oversees three different plans, including the retiree health plan, consisting of 67,000 covered lives, the active employee plan, consisting of 17,000 covered lives, and long-term care plan, consisting of 21,000 subscribers and a handful of beneficiaries. Under all of the subject matter complexity is a DRB infrastructure, which requires a weekly flow of data to and from employers and vendors addressing all of the covered lives. MR. PUCKETT is responsible for the management level attention which is being given to IT infrastructure, call center infrastructure, and data flow infrastructure.

MR. BARNHILL noted MR. WORLEY is responsible for accurate accounting for the \$1.5 billion in cash flow in the form of benefits and health claims every year. Over the next 10 years, that will increase to \$2.5 billion. There are accounting and data flows with over 200 employers in the system. MR. BARNHILL is very pleased to have a complete management team who report directly to him at their weekly team meeting. MR. BARNHILL would like to have these team members take an active part in the ARMB meetings.

#### **A. HRA Update**

MR. PUCKETT stated an information memo is included in members' packets for the Health Reimbursement Account (HRA) in the Defined Contribution Retirement (DCR) Plans. These amounts have already been shared with the employers for the FY15 rate. A rate of 3% is applied to the average annual compensation of all employees of all the employers in the PERS and TRS.

MS. HARBO asked if the employees get an annual statement of the amount in their account and if employees receive HRA education as part of the financial education when they become DC members. MR. PUCKETT advised there is not an annual statement provided to the members yet for the HRA, but it is being worked on. MR. PUCKETT noted these are not participant-directed funds. The information regarding the HRA is shared during the defined contribution seminar provided to the members.

MS. HARBO asked what happens to the HRA funds when a member terminates. MR. BARNHILL explained when a DCR member terminates, the HRA monies is not available for distribution to the terminating employee. MR. BARNHILL believes the Legislature intended for the money to stay in the trust, which is the strong policy preference of the Division. There is some ambiguity in the language and that question is pending with the Department of Law.

MS. HARBO asked if a member terminates and leaves their money in and then the individual is rehired, would the HRA account be reactivated. MR. BARNHILL believes that is accurate.

### **B. Aetna Transition Update**

MR. BARNHILL requested MS. MICHAUD's assistance in answering questions. He noted there has been a huge amount of work completed before and after January 1st. The retiree health plan has been self-insured since 1998. Under procurement law, a third-party claims administrator is selected and administers the retiree claims, which totals close to 30,000 claims filed weekly. Aetna was selected to be the third-party medical claims administrator, as well as the discount network provider for medical, and Moda Dental/Delta Dental of Alaska was selected to be the third-party administrator for dental, as well as the discount network provider.

MR. BARNHILL stated the first eligibility file for the retirees was sent to Aetna in December and contained over 4,000 errors regarding eligible dependents. This was the Division's fault and not Aetna's fault. That file had to be cancelled, which caused a delay and ultimately resulted in a delay in sending the retiree ID cards. Many, if not all, of the retirees did not have their ID cards on January 1st. The immediate impact was a huge influx of 50,000 calls to the three call centers of DRB, Aetna, and Moda, in January.

MR. BARNHILL noted, also in January, there were many unexpected changes with respect to how items that had been covered before were suddenly not covered. This is Aetna's responsibility and the Division had no prior discussion regarding these items, particularly in the pharmacy area. Compound medications and over-the-counter (OTC) equivalents were suddenly not covered on January 2nd. About 1% of the approximately one million claims a year of the pharmacy volume is related to compound medications. The call centers were not staffed to handle all of the calls. MR. BARNHILL stated that Aetna also did not have a way to coordinate benefits at the point of service for pharmacy. This was unexpected and contributed to the onslaught of calls to the call centers.

MR. BARNHILL stated January, February, and March were spent diagnosing and resolving these issues. It has been a very rocky transition. Aetna was instructed to begin covering compound medications and OTC equivalents. Aetna has just implemented a coordination of benefits software update. Results are still pending. MR. BARNHILL is optimistic Aetna will be able to successfully execute the plan administration. The Division is working daily with Aetna to ensure this happens. MR. BARNHILL believes Aetna has done a very good job in building out its network, including Bartlett Hospital in Juneau.

MR. BARNHILL noted there were changes in the dental plan. Buck Consultants advised there could be some savings for the state and the members by utilizing a dental network. In the employee plan, the state pays most of the cost of dental coverage. In the retiree plan, the state pays none of the cost of dental coverage. The impact of having a dental network could be important for retirees living on a fixed income, who are paying 100% of the cost of that plan. MR. BARNHILL stated Moda has instituted a dental network that covers over 60% of dentists in Alaska. Since the beginning of the year, dental network utilization is 69% of claims.

MR. BARNHILL believes over time, the efforts on focusing on network are going to help everyone. He stated retirees still have choice in the selection of providers. The 80% coinsurance amount for medical in-network and out-of-network remain exactly the same for retirees, which he believes has directly led to the medical network utilization being unusually low. Moda lowered the UCR coverage for out-of-network dental, which has created concerns within the retiree community. MR. BARNHILL believes part of the concern is due to not effectively communicating those changes prior to January 1st. Notice has since been provided to all retirees on those changes. MR. BARNHILL noted one lesson learned is all communication with the retiree community needs to be substantially upgraded.

MS. MICHAUD agreed communication with retirees needs work. She commented a lot of the retirees are not computer savvy or do not take well to email or website postings, which leaves the Division to having to mail communications to retirees. In addition, the Division does not have very good contact information, other than the mailing address. Phone numbers and email addresses for retirees are not retained. Several newsletters have been mailed regarding the transition and a series of town hall meetings have been scheduled. The first town hall meeting occurred in March. With the transition, a draft document was introduced and the town hall meetings have served a dual purpose, as far as soliciting comments on the draft document and addressing transitional issues. However, MS. MICHAUD reported the retiree draft document has been postponed for this year in the effort to focus on addressing all of the Aetna transitional issues. The town hall meetings have been exceedingly helpful in revealing members' concerns.

MR. TRIVETTE stated one of the biggest issues he received from many retirees was why didn't the administration ask the retirees' opinion regarding the dental changes, since the retirees fund 100% of that plan. MR. TRIVETTE believes it was a fundamental mistake to make changes in the dental plan without retirees at the table. He hoped before changes are made in the future to any system retirees pay 100% for, including the long-term care plan, retirees would be consulted.

MR. TRIVETTE expressed his concern there still was not a contract signed with Moda and/or Aetna at one of the meetings in March. He asked if a contract has been signed with Moda and/or Aetna. MR. BARNHILL stated he has not signed either one of those contracts until the problems are fixed. MR. TRIVETTE asked if there was a memorandum of agreement (MOA) still in place. MR. BARNHILL agreed and stated both MOA's have been extended once and they do have periodic sunsets. The MOA's are public documents.

MR. TRIVETTE asked if DRB have the staff they need to complete the necessary work. MR. BARNHILL stated he could address a number of points MR. TRIVETTE mentioned.

CHAIR SCHUBERT requested his response be brief because these are internal DRB matters and could probably be discussed offline with MR. TRIVETTE. MR. BARNHILL agreed.

### **C. Legislative Update**

MR. BARNHILL stated the biggest issue this session was the Governor's proposal to address the unfunded liability. The Governor introduced, as part of his budget proposal in December, a proposal to appropriate three billion dollars from the Constitutional Budget Reserve to the PERS and TRS trusts, allocating \$1.88 billion to PERS and \$1.12 billion to TRS, with a fixed dollar contribution from FY16 to FY36 of \$500 million a year. The proposal has been put into bill form and presented a few weeks ago.

MR. BARNHILL advised a committee substitute was adopted by the Senate Finance Committee adopting a variation of the Governor's proposal. It still had an appropriation of three billion dollars, but the allocation was two billion into TRS and one billion into PERS. Instead of a fixed contribution methodology for amortization, the Legislature adopted a level percentage of pay methodology. In addition, the amortization was reinitialized and adopted a 25-year closed term amortization starting in FY15. That bill passed the Senate, 20 to zero, and passed the House, 40 to zero, which was quite impressive. The funding for that bill is in the capital budget on the House Floor.

MR. BARNHILL recognized the amazing efforts of MR. SLISHINSKY in running scenarios and preparing letters at all hours of the day and night during this legislative process. MR. BARNHILL stated it was very important to have an actuarial review of a plan before it was brought before a committee. Without the reviews from the actuary, MR. BARNHILL does not believe these results could have been reached.

MR. BARNHILL recognized the efforts of Legislative Finance staff and Legislative Finance Director, David Teal, James Armstrong, and Pete Ecklund. MR. BARNHILL stated they were absolutely critical in the final days in creating a proposal that would work for the body. MR. BARNHILL expressed his gratitude to everyone in this room for all of the work completed, particularly to MR. BADER, JOHN BOUCHER, COMMISSIONER RODELL, and COMMISSIONER THAYER.

MR. BARNHILL reviewed the bills that passed that are of interest to the Board.

- HB 116 provided peace officer and firefighters with the opportunity to use five years of military service as credit to get access to healthcare benefits five years earlier than they normally would.
- SB145 addressed requirements that were passed by Congress through the HEART Act.



- SB169 was an immunization plan that was strongly supported by the Department of Health and Social Services. It gives participants in the plan the ability to buy immunizations in bulk to reduce cost and encourage immunizations for Alaskans.
- SB159 declared the provision of air ambulance services were not a form of insurance and could be restored to the rural communities from which they were eliminated.

MR. BARNHILL noted the Legislature enacted into law what amounts to a fee schedule for Worker's Compensation medical care that is based on a Medicaid/Medicare fee schedule. MR. BARNHILL believes this development is potentially significant to how healthcare costs are computed in Alaska. The retiree plan does not provide preventive care, which is a concern of retirees. The DRB would like to have the discussion with retirees regarding providing access to preventive care and providing a way to pay for it.

CHAIR SCHUBERT thanked the Governor, on behalf of the Retirement Board, for his action in seeking to assure the financial strength of the retirement systems and to assure the state's credit rating. CHAIR SCHUBERT believes the Governor's actions show his leadership on these two issues and will really benefit the state. CHAIR SCHUBERT expressed her appreciation to MR. PIHL for beginning this process five years ago to address the unfunded liability issues. She thanked all of the trustees for their roles during this legislative process and specifically thanked MR. BRICE, MS. ERCHINGER, COMMISSIONER RODELL, COMMISSIONER THAYER, MR. BARNHILL, MR. BADER, and the actuaries for their participation.

#### **4. TREASURY DIVISION REPORT**

MS. LEARY acknowledged JENNIFER GIBSON, from State Street, who has come up to the Anchorage offices to interact with staff. MS. LEARY gave recognition to SHARON GILL, Asset Accounting Department, and JERRY BURNETT, Department of Revenue, for their service to the ARM Board. Both will be retiring soon. MS. LEARY acknowledged the unanimous confirmation of COMMISSIONER RODELL and COMMISSIONER THAYER.

#### **5. CHIEF INVESTMENT OFFICER REPORT**

MR. BADER referred to his report, in which Item No. 1 shows rebalancing of the fund six times. Guggenheim is now fully funded and is in line with the Board's approved mandate. There has been a reduction of small cap investments with Jennison of \$55 million. MR. BADER stated the report is in error and all of the notations for "k", thousand, should be million. All of the reductions funded Brookfield and Lazard at \$75 million each. The cash overlay program was reauthorized of \$11 million in small cap and \$11 million in large cap.

The buy-write mandate was terminated with RCM Allianz due to a change in staffing at the firm. The money has been refunded. MR. BADER informed the Board of his intent to invest the money refunded with Analytic Investors who have an index buy-write strategy. The current fee from Analytic is 15 basis points on amounts over \$20 million. Analytic has made

an offer to charge a fee of 10 basis points for investment amounts over \$135 million. Analytic currently invests \$130 million for the portfolio.

MR. BADER's report included notification of the transfer of \$2.9 million from cash to the Blue Glacier Fund, an absolute return mandate, managed by Crestline Investors. MR. BADER authorized MacKay Shields to continue holding the stock of a non-publically traded company, because forcing them to sell the company would be considered selling in a distressed situation.

EIG announced the sale of a minority interest in EIG. MR. BADER stated he and MR. HANNA discussed this with the CEO of EIG, and determined this event is not troubling to the fund.

MR. BADER provided information to the members regarding the legislative report and the pending receipt of \$3 billion into the pension fund addressing the PERS/TRS liability. This is an awesome responsibility and the Governor, all 60 legislators, the press, and the general public will be focused upon how these funds are managed in this challenging investment environment. MR. BADER believes the Board needs to remain nimble and thoughtful regarding investing in the current market environment. MR. BADER stated there are a few requests in the Board packet for additional authority for staff. He believes these requests remain inside the general mandate of the Board.

MR. TRIVETTE requested an update on the investigation of WAMCO issue. MR. BADER advised one staff member and MR. JOHNSON went to WAMCO and a briefing has not yet occurred regarding findings.

MR. TRIVETTE asked about the status of the due diligence on Everest Capital. MR. BADER noted the due diligence and contract negotiations are ongoing.

## **6. FUND FINANCIAL REPORT**

State Comptroller SCOTT JONES reviewed the financial statements for the eight months ending February 2014. The ending assets were \$25.1 billion, with a change of invested assets of about 13%. The total comprises the PERS system with about \$14.8 billion, the TRS system with about \$6.1 billion, the JRS with \$160 million, the military with \$37 million, SBS with \$3.2 billion, and Deferred Comp with \$758 million. The plan has had \$2.8 billion worth of income year-to-date.

MR. JONES stated that since February, the non-participant directed plans went from \$20.47 billion to \$20.54 billion, fairly flat, and as of yesterday, they were at \$20.7 billion. The plans had roughly a 7% increase in their overall assets on a fiscal year-to-date change through yesterday.

KEVIN WORLEY, CFO of the Division of Retirement and Benefits, discussed the supplement to the Treasury Report, which shows contributions and withdrawals from the different funds and expenditures for payments, refunds, and administrative and investment

expenses. MR. WORLEY noted separation of service represents 77% of the distributions out of the DCR and SBS Deferred Comp plans.

MR. BRICE asked if there is any way to determine and track whether the REIT funds are being rolled over into other retirement type accounts or savings accounts. MR. WORLEY stated there is an additional layer from which information can be provided. In looking at the SBS, 37% of that total dollar amount represents amount rolled over to an IRA, and 3.7% to another qualifying plan. In looking at the Deferred Comp plan, 42% of the funds coming out is rolled over to another IRA.

MS. HARBO asked if a person totally withdraws their funds from the plan, are there statistics showing how many years that person has been employed. MR. WORLEY stated he does not have that answer now, but will research and provide her the answer at a later date.

## **7. PRIVATE EQUITY TACTICAL PLAN**

### **ACTION: Resolution 2014-06 - Private Equity Plan**

State Investment Officer ZACHARY HANNA explained this staff presentation is part of the annual review and planning cycle for the ARM Board's investments in private equity. There is a detailed written plan provided in the Board's packet. This plan and recommendations have been reviewed by Abbott, Pathway, and Callan. MR. HANNA provided an overview of private equities as an asset class, a market review, a discussion of the ARM Board portfolio, and the recommended 2014 tactical plan.

MR. HANNA noted the ARM Board's return expectation for private equity is 350 basis points over the Russell 3000 Index. He provided background on private equity structure and explained the dynamics of the private equity cash flow. The goal is to build a well-diversified portfolio of high quality partnerships. During 2013, there was a modest increase in fund raising. Levels are still well below the peak fund-raising years and terms remain more rational and limited partnership (LP) friendly. The overall level of investing activity decreased in 2013, as firms maintained pricing discipline in the face of strong competition among private equity firms and from strategic corporation acquirers. Both price and leverage remain relatively high and they both ticked up in 2013.

MR. HANNA stated the market has been volatile since the ARM Board first invested in private equity in 1998, but the Board and its advisers have built a high quality, well-diversified portfolio. Relative performance has been good, with seven out of the past 12 vintage years through 2009 were top quartile, and five years were second quartile. Overall, the program is in the top quartile. Returns have been strong, with the internal rate of return (IRR) since inception of 10.2% through 2013. Staff calculates public market equivalent returns using the actual ARM Board private equity cash flows to simulate buying and selling public market indices. The 10.2% IRR for the private equity portfolio is double the public market equivalent return of 5.1% for the Russell 3000 Index.

The private equity portfolio provides a tangible example of the power of compounding. Since inception, the program has generated \$800 million in additional fund value compared with

investing in the public equity markets alone. MR. HANNA explained the private equity cash flows on Slide 12. He noted distributions in the private equity portfolio have increased at a pace of roughly \$100 million a year over the past five years. The investment activity has been fairly low and stayed roughly flat over the last four years, because it has been a strong seller's market.

The private equity portfolio is well-diversified by strategy. The targets are 20% to venture capital, 40% to buyout, and 35% to special situations, and the portfolio is close to these guidelines. MR. HANNA showed graphs illustrating the portfolio's diversification by industry, geographic region, and investment stage. The commitment target for 2013 was \$355 million and during the year, \$311 million was committed to 24 partnerships, with the commitments diversified by strategy.

Continued progress in the exit environment is expected in 2014. Corporations have healthy balance sheets, record cash levels, which should translate into increased acquisitions in a slower growth environment. The IPO market should continue to provide significant exits and credit markets should remain open. Fund raising is expected to increase this year, as general partners have been returning capital and many strong groups are returning to the market. Higher deal pricing is the downside risk, as funds have more capital to put to work. Staff and the Board's investment managers are particularly focused on investing with managers who have demonstrated pricing and leverage discipline during past cycles.

MR. HANNA stated in the 2014 tactical plan, staff is recommending an increase in the commitment pacing to target a long-term asset allocation of 10% for private equity. The recommended commitment target for 2014 is \$450 million, of which \$175 million for Abbott, \$175 million for Pathway, and \$100 million for direct partnership investments with a gradual annual increase. The staff recommends the Board adopt Resolution 2014-06, approving the 2014 Private Equity Annual Tactical Plan.

MR. PIHL moved to adopt Resolution 2014-06. MS. HARBO seconded the motion.  
A roll call vote was taken, and the motion passed unanimously.

MR. TRIVETTE asked who conducts the internal investment for this fund. MR. HANNA stated he and MR. BADER conduct the internal investment for this fund. MR. TRIVETTE noted the presentation was easy to read and provided good information for new Trustees and expressed his appreciation for the effort in creating this plan each year.

MR. BRICE asked if MR. HANNA and MR. BADER are taking advantage of conditions the business cycle provides. MR. BADER stated the pacing target is clear and the investment managers are also mindful of the current cycles.

MR. PIHL commented the plan forward provides an equal amount to Abbott and Pathway each year. He asked whether performance may favor one more than the other. MR. HANNA noted in prior plans, Pathway has been contractually constrained to their level of pacing. A successful series of discussions has occurred with Pathway in terms of renewing their contract and removing those constraints. This is a pretty significant increase in their pacing. They

were capped out at \$125 million a year and have been at that level for the past four to five years. Pathway's performance has been quite strong.

MR. HANNA noted that Pathway and Abbott have different styles of investing and believes their styles are complementary and it is in the Board's interest to maintain them at a relatively equal pacing. He does not favor one over the other.

CHAIR SCHUBERT recessed the meeting from 10:51 a.m. to 11:09 a.m.

## **8. PERFORMANCE MEASUREMENT - 4TH QUARTER**

MICHAEL O'LEARY of Callan Associates explained the fourth quarter GDP was reported at 3.2, which was down from 4.1 in the third quarter, and subsequently revised twice, ending at 2.6. MR. O'LEARY noted this is very common with all of the statistics and a great illustration of the first numbers reported being revised. The quarterly real GDP growth was positive, but not a robust recovery. The first quarter of the year was legitimately, significantly affected by the extreme weather. The second quarter of the year was also affected by the difficulty and challenges of the first quarter.

MR. O'LEARY explained the graphic depicting bond indices for the quarter and the year. He noted 2013 was not a good year for bonds. MR. O'LEARY discussed tables of global equity market indices, and what individual countries' governments are doing to gain some advantage for their local economies. He noted Japan has taken extraordinary action in monetary ease and expected the value of their currency to decline, which was increasing their competitive position. The United States has been accused of doing something similarly by many in Europe and now we are seeing more willingness to ease monetary policy further in Europe than the U.S. for competitive advantage.

MR. O'LEARY discussed the treasury yield curves and noted the 10-year Treasury has declined to 2.7. He showed multiple tables comparing returns from various indexes and explained the calendar period graphic for real estate.

MR. O'LEARY stated the asset allocation relative to the target, as of the end of the calendar year, had little change relative to the third quarter, with an overweight in domestic equity. He noted almost all of the investments in the portfolio did well relative to their targets and showed tables illustrating those numbers. The relative performance for TRS was 18.79% and PERS was 18.74%, both ranking in the top quartile. The two-year number ranked high in the second quartile. The three-year number was almost in the first quartile. The five-year number is still distorted by the real estate weakness. The seven-year number is close to the target return. The 10-year number is right at median.

MR. O'LEARY discussed the components and performance of the fixed income portfolio compared to the indices. The Mondrian manager has had a rough time over the last couple of years, but over the longer time periods, their performance is above their target and comparatively strong. The MacKay Shields manager has had performance close to, but below, the market benchmark.

MR. O'LEARY reported domestic equity returned 34.47% for the year, which is better than the Russell and S&P indices. He discussed the returns of various domestic equity asset classes. MR. O'LEARY reminded the Board that Alternative Equity was redefined and became effective the middle of the year. MR. O'LEARY reported the international equity exposure was up 18.94% and was a strong comparative performance. The emerging markets pool for the year was down 12 basis points and the index was down 2.27%. The sole global manager, Lazard, was up 25.29% for the year versus the ACWI Index of 23.44%.

MR. O'LEARY stated the real estate portfolio slightly trailed the real estate target. Private real estate returned 11.35% for the year and the NCREIF Index returned 10.98%. REITs did not do well for the full year. The internally managed portfolio had a more positive return. Farmland is producing very attractive returns. Timber is much more cyclically sensitive than farmland and is related heavily to the business cycle. Timber returns are not much below target. TIPS did not produce a real rate of return and the driver of the negative result is having long duration bonds in a rising rate environment. The MLP's had a very positive contribution to the real assets. MR. O'LEARY strongly believes a diversified real assets portfolio, such as the ARM Board's portfolio, is a great insurance policy in accelerating inflation environments.

MR. O'LEARY noted there was an error in creating one of the tables and the corrected table has been provided to the members.

MR. PIHL asked for performance information on value versus growth investments. MR. O'LEARY stated it was a very strong year for both and the Russell 1000 Growth Index for the year was up 32.48% and the Russell 1000 Value Index was up 32.53%

PAUL ERLENDSON of Callan Associates explained the tables describing the strategies within the SBS and deferred comp programs. These strategies are meeting or exceeding their objectives and have been doing very well on an absolute basis. MR. ERLENDSON stated an error on Slide 43, the red box for the interest income fund, has been corrected in a handout. The correction significantly changes the ranking for that fund. MR. ERLENDSON reported Brandes remains volatile and members need to be aware of this volatility when choosing Brandes in their plan. Brandes has relatively strong results for their three-year return.

MR. ERLENDSON explained all of the passive options have been meeting their performance benchmarks. The ranking system for the passive options is different than the actively managed funds, because an index fund is supposed to match the index and not do better or worse. The rankings are within 10 ranking points of the peer group and as long as they are tracking relatively closely, they will show green.

MR. O'LEARY commented he has really enjoyed working with the Board for many, many years. He stated he has been impressed with the level of discussion and debate regarding what is beneficial for the program. MR. O'LEARY commented he has watched the Board address civilly the pension funding challenge, having a dialog while educating the Board on

the alternatives available to you and then acting upon those alternatives. MR. O'LEARY applauded the Board for their efforts.

CHAIR SCHUBERT stated she has been on both Boards the whole time MR. O'LEARY has been working with the Boards. She expressed her appreciation for his work in presenting information in a really concise and understandable fashion. CHAIR SCHUBERT believes the growth in the Board has been facilitated by staff and the counsel provided by MR. O'LEARY over the years. CHAIR SCHUBERT noted it is MR. O'LEARY's last Performance Measurement Report. She thanked him very much for a job well done and wished him well in retirement.

CHAIR SCHUBERT recessed the meeting from 11:58 a.m. to 1:20 p.m.

## **9. ACTUARIAL VALUATION REVIEW - FY13**

### **A. Certification of Draft FY13 Actuarial Valuation Public Employees Retirement System (PERS) Teachers Retirement System (TRS) Update: Claims Cost Supplement PERS Defined Contribution Plan TRS Defined Contribution Plan JRS/NGNMRS Roll-Forward**

LESLIE THOMPSON of Gabriel Roeder Smith (GRS), the auditing actuary, presented review items of interest to the Board. The first was the Judges and the National Guard Roll-Forward in which the roll-forward valuation that Buck Consultants completed was reviewed. There were no findings and GRS concurred with Buck Consultants' work.

The second item is the review of the Pension and Post-Employment Healthcare Plans for PERS and TRS. MS. THOMPSON believes this is a perfect time to engage in a dialog with Buck Consultants during the experience study about some patterns that have emerged in the gains and losses as shown on the chart on page three of the history of gains and losses by source. MS. THOMPSON stated the source entitled "Termination" reveals large losses every year. Whenever there is an assumption that persistently lands on one side, the question needs to be asked if that assumption is being set properly, because assumptions should land half the time one way, and half the time the other way if the expected value is zero on the gains or losses.

MS. THOMPSON stated one of the reasons this causes her concern is that over the last four years, the COLA and PRPA have all been gains, meaning there was not granted as much of a COLA as what was assumed, which is expected because these have been periods of low inflation. However, if those gains were not included, there would be much more significant losses and therefore, increases in the contribution rate. So those gains are, in a sense, masking the losses from the other sources.

The third item is the review of the "Other" category. MS. THOMPSON believes "Other" should be pretty small miscellaneous items, but in these plans, it is as big and sometimes the biggest of all the sources. MS. THOMPSON recommended working with Buck Consultants to break out what big item is included to ensure there is not a bias in something that is creating a loss.

The fourth item is under Healthcare on page four and the concern is the awesomely large gains from medical claims. GRS provided an extra report that went audited the actual development of the claim costs. The persistent gains on medical claims are large and it is possible a reader could ask if these gains are from overcharging for this plan. MS. THOMPSON recommended working with Buck Consulting to understand why the claims are this large. The Board needs to be in agreement that the method is right and is aware there is margin built into these claim costs.

The fifth item is on page five showing two bullet items about discrepancies in method in which GRS has agreed to disagree with Buck Consulting. On test life pages, there is included a column marked as "GRS Best Estimate," which is the percent change of those discrepancies in method. MS. THOMPSON encouraged discussing those changes with Buck Consulting.

Finally, the Cadillac tax is a tax for what is deemed to be certain generous medical plans and Buck Consulting's analysis determined the Cadillac tax does not come into effect until so far out in the future that it is de minimis. MS. THOMPSON believes the Cadillac tax is coming into effect sooner than anticipated because the thresholds amounts for the cost for the Cadillac tax grow at a slow rate, while medical inflation grows at a higher rate and tax has to be paid on that gap. She recommended discussing this Buck Consulting to get ahead on the curve.

MR. BADER asked if a Cadillac expense is borne by the participant or by the plan. MS. THOMPSON noted CHRIS HULLA of Buck Consulting could best answer that question. MR. BADER stated he will ask the question later in the meeting.

MS. HARBO clarified COLA is granted every year to those who retire and live in Alaska. COLA would change if there were more retirees moving out of Alaska and not living in Alaska. MS. THOMPSON stated the PRPA and COLA were combined in the analysis she discussed.

MS. THOMPSON noted her main finding on DCR was that she does not have documentation on the policy changes and therefore, if appropriations were recommended, there would be no basis for that in writing.

MS. HARBO requested clarification and notation regarding the reason the contribution rates for PERS retiree medical under DCR changed from .48% in 2011 to 1.66% in 2012, and the similar changes in TRS. MR. BARNHILL stated those rates were presented to the Board last year through the Buck valuations and they reflect a change in policy approach beginning with the enactment of SB141. MS. HARBO requested again that a notation with the explanation be included in the document. MR. BARNHILL believes a notation is already included and



suggested DAVID SLISHINSKY of Buck Consultants address that issue during his presentation.

MR. TRIVETTE noted last year there was not a plan, and asked if there is still no plan this year that GRS can actually use to evaluate. MS. THOMPSON agreed.

MR. BARNHILL asked what other factor is contributing to the decrease in medical gains for PERS from 2012 to 2013 besides the adoption of the Society of Actuaries new long-term trend line. MS. THOMPSON recommended speaking to Buck Consulting about isolating the participation rate factor and believes this is embedded in the medical gains. There is a big difference in liability for participating and non-participation and would be beneficial to review.

**B. FY13 Draft Actuarial Valuation Reports**  
**Defined Benefit and Defined Contribution Plan**  
**Public Employees Retirement System (PERS)**  
**Teachers Retirement System (TRS)**  
**PERS Defined Contribution Plan**  
**TRS Defined Contribution Plan**  
**JRS/NGNMRS Roll-Forward**

MR. SLISHINSKY noted his presentation of the actuarial results for the beginning of the fiscal year, June 30th, 2013, is already outdated due to the recent legislative change of the costs for FY15 and beyond. MR. SLISHINSKY noted there were no changes in benefit provisions, actuarial assumptions or actuarial methodologies. There were changes in "Experience," which is the measurement of the difference between the actual experience of the plan and the actuarial assumptions from year to the next. This causes changes in the measurements of the expected liabilities and expected contributions.

There are three highlighted areas on page four worth noting. The first area is the investment return, which was 12.1% for FY14. This is above the long-term investment assumption return of 8%. That 4% difference creates an investment gain, which is smoothed using a five-year asset valuation method. As a result, the PERS contribution rate increased 1.76%. MR. SLISHINSKY explained the gain is being smoothed in addition to the four previous years of gains and losses, which were net losses. The investment return rate of 12.1% this year, combined with prior years' losses in the five-year period of smoothing, the rate of return on assets for actuarial purposes is actually 4%. The TRS contribution rate increased 2.44% and is due primarily to the smoothing of the prior years' losses.

The second highlighted area is regarding healthcare claims and MR. HULLA reported the PERS contribution rate decreased about 1.5% and TRS contribution rate decreased 1.2% due to continued favorable emerging claims experience, whereby a method is used to develop a base year claim cost, which is analogous to asset smoothing.

The third highlighted area is regarding the impact of the two-year lag on applying the contribution rates. MR. SLISHINSKY explained that process and noted a loss is created if

the normal cost and amortization calculated for that year is higher than the received contribution. These three highlighted areas are the biggest drivers of the change in the contribution rates.

MR. TRIVETTE asked how much impact would the increase in interest payments each year have on the change in contribution rates. MR. SLISHINSKY stated the interest payments should be made in the contribution and is already factored in the rate. MR. TRIVETTE believes the Legislature has intent in the capital bill to eliminate the two-year delay. He suggested Buck Consulting clearly review options because that conversation will take place within the next few months. MR. SLISHINSKY agreed.

MR. BARNHILL reported in the bill that passed the Legislature, there is legislative direction through the amendment ARM Board statute 3710.220, requiring the use of a level percentage of pay methodology under a 25-year closed term amortization. That bill is retroactive to April 21, 2014, once it is signed into law, with the purpose of the Board providing direction to the actuary at this meeting. MR. BARNHILL stated because the bill has not been enacted into law yet, in lieu of giving direction, time will be taken to determine how that legislation will be implemented and a proposal will be brought before the Board probably at the June meeting.

MR. SLISHINSKY explained the graphs showing the asset smoothing methodology over five years. The ratio of the actuarial value to the fair value of assets was about 97% and in 2009, that same ratio was up over 120%. This is the first year that the actuarial value is less than the market value since the financial crisis, which is good news. There have been gains, or at least lower losses, in the healthcare funded ratio as compared to the pension funded ratio. After the calculations of the cost of the accruing benefits, less member contributions, and amortization of the unfunded liability, the contribution rate for PERS is up from 39.85% to 40.28%.

MR. TRIVETTE requested a definition of "retirement experience" for purposes of this report. MR. SLISHINSKY stated from the 2012 valuation, retirement rates are used. Depending upon the age and the amount of service people have, there is a certain probability at different varying ages and service combinations that people are going to retire. The data is analyzed and it provides retirement patterns of the plan. The rates are set based upon the retirement patterns seen in an experience analysis.

MR. HULLA explained the methodology behind the graph showing the gains due to claims cost experience. In the current trend and blend valuation, which is similar to the smoothing process, the weighted value for the data in 2013 is 30%, 2012 is 40%, 2011 is 20% and 2010 is 10%. Buck Consultants does not recommend basing a contribution rate for any given year on the most immediate year's experience. It is too volatile, due to favorable experience, incidents and magnitude of large claims, changes in third-party administrators and the network discounts they deliver. Part of the gain this year is anticipated to reflect improved discounts through Aetna as compared to Heath Smart.

MR. TRIVETTE asked if the trend and blend methodology is accepted actuarial science. MR. HULLA agreed. MR. TRIVETTE asked what percentage of actuaries actually use the trend and blend methodology. MR. HULLA believes every Buck Consultants' valuation include a

trend and blend process, unless it is an insured plan. MR. TRIVETTE stated one of the issues with a previous actuary was they were using a different methodology than most other actuaries were using. He asked if the trend and blend methodology is pretty common practice among actuaries. MR. HULLA believes it is a predominant practice and thinks it is the example used in FASB and GASB guides to implementation. This is a deliberate conservative element in the valuation.

MR. PIHL asked what the total claim cost was and what the percentage of trend and blend is to that total. He expressed his gratitude these numbers are showing a gain. MR. HULLA stated he agrees with GRS it is important to understand and support the process. He noted when there are actual losses emerging in the claims experience, this process will delay those losses in the contribution rate. MR. BARNHILL reported there was a total of just over 500 million in claims for PERS and TRS. MR. SLISHINSKY stated in looking at these total numbers, it is important to relate them to the accrued liability. The expected accrued liability for the year is a little over \$20 billion for both pension and healthcare added together. The claims cost is at 1.1% of total and 2.7% of other post-employment benefits (OPEB). The claims can vary from year to the next. MR. SLISHINSKY presented the PERS valuations for the roll forward of the unfunded liability.

MR. SLISHINSKY reviewed the valuations for TRS and noted overall, the same patterns existed with TRS as they did with PERS. The amount of the actuarial value of assets is now less than the fair value of assets and the future recognition will be gains, as long as there are no large losses in the near-term to counteract that. TRS has a similar pattern to PERS in the funded ratio of pension versus healthcare. There was an increase in the contribution rate from 66.31% to 69.24%. The roll forward of the unfunded liability for the TRS from last year increased.

MR. BARNHILL noted the summary for PERS is on page 8 and the summary for TRS is on page 15. Line four shows the funded ratios and there are markedly different funded ratios for pension versus healthcare. There is a 15% spread in PERS and a 12% spread in TRS in the funded ratios. MR. BARNHILL recommended this be addressed going forward and one way could be to direct the state assistance, when received, entirely into pension. He believes this would even out the spread and would make a dollar-for-dollar impact to municipal employers for GASB 68 purposes.

MR. TRIVETTE asked if there were any statutory or legal reasons that would prevent the suggestion by MR. BARNHILL. MR. BARNHILL noted that is a legal question for the lawyers, but as far as he knows, there is nothing to prevent that option.

MR. SLISHINSKY walked the Board through the DCR valuation results. There was not much change this year from last year. The overall rate last year was 1.96% and this year it is 1.98%. The funded ratios and assumptions used were explained. MR. SLISHINSKY stated part of the calculated numbers in the presentation will have to be revised once the transfer of the \$3 billion. However, the caps on the employer rates are not changing. It is still 22% for PERS and 12.56% for TRS.

MR. SLISHINSKY explained the roll forward process of the accrued liability for the JRS. The actuarial value of assets is calculated using the real accounting of the funds assets. The unfunded liability increased from \$65 million to \$72 million. The historical graph of the employer contribution rate was reviewed and the increase is primarily due to the smoothing of the previous asset losses. With increasing rates and the losses on the assets, there has been a slight decline in the funded ratio from 73% in 2010 to 65% in 2013.

MR. SLISHINSKY explained the roll forward process of the accrued liability and the actuarial value calculation for the NGNMRS plan. The funded ratio has declined from 102.8% to about 101% due to the recognition of those losses from 2009, which resulted in an increase in the contribution from \$627,000 last year to \$735,000 this year. There was the same general pattern over the last four years for NGNMRS as was seen in JRS.

MR. SLISHINSKY reviewed the 30-year deterministic projections, assuming all of the actuarial assumptions are met and all of the contributions are actually made. The unfunded liability will be fully funded by 2031, and from that point forward, the majority of the contributions will be for DCR members.

MR. PIHL commented the graph shows the contributions basically stop in 2029, and there were never any expectations under the 25-year fixed period that those contributions would not run through 2031. Therefore, the employers' contributions of about a billion dollars should be included in this graph. By not including those numbers, state assistance is overstated. MR. PIHL reported the overstatement of state assistance is in all of the base cases that have been used. He realizes these graphs are academic.

MR. SLISHINSKY discussed the sensitivity analysis and graphs regarding what the measurements would look like if the rate of return was different than expected. This information has always been included in the reports, but is not usually discussed during the Board presentation.

MR. TRIVETTE asked when the recent significant layoffs in the school districts will be reflected on the actuarial evaluations. MR. SLISHINSKY noted an experience analysis is currently occurring and the 1% assumption of employee growth is being reviewed. A report will be given in June and whether or not that assumption number should be changed.

MR. BARNHILL expressed his appreciation again to Buck Consulting and GRS for their great assistance with the pending legislation during the legislative session.

CHAIR SCHUBERT recessed the meeting from 3:12 p.m. to 3:27 p.m.

**10. ADOPT ASSET ALLOCATION:**

**Resolution 2014-07:**

**DB PERS/TRS/JRS**

**PERS/TRS/JRS Retiree Health Trusts**

**Retiree Major Medical HRAP/ODD**

**Resolution 2014-08: DB NGNMRS**

## **Resolution 2014-09: DC PERS/TRS Holding Account**

MR. BADER invited MR. O'LEARY to explain Callan's capital market assumptions and how they are used in determining an asset allocation recommendation. MR. O'LEARY stated each year, Callan develops a 10-year projection of return, risk, and correlation estimates for all of the major asset classes. There were only very minor changes in the 10-year projection of last year and this year. The biggest difference was the expected return for bonds was raised and the expected return for most equity classes was reduced slightly. The expected inflation rate was also lowered to 2.25% from 2.5%.

MR. BADER informed he and MR. O'LEARY, MR. ERLENDSON, and the members of the IAC met by teleconference to discuss the efficient frontier and the recommendations to the Board for the asset allocation for the coming fiscal year. MR. BADER does not believe there are any changes in the actual asset allocation recommendation and asked if any members of the IAC would like to comment on the process.

DR. JENNINGS emphasized inaction of a change to the asset allocation does not mean analysis did not take place. He noted the standard deviation of the new proposal did change to 15%, which reflects a very stock-oriented asset mix.

MR. BADER reported the IAC also discussed the recommended private equity allocation. It was agreed the long-term private equity allocation should be 10%, but since this is unrealistic to accomplish this year, the allocation was unchanged. The private equity allocation is expected to increase in the future. MR. BADER recommended the Board adopt Resolutions 2014-07, 2014-08, and 2014-09 to provide asset allocations for the PERS, TRS, JRS, and health trusts, along with the military retirement system and investment of cash.

MR. BRICE moved to adopt Resolutions 2014-07, 2014-08, and 2014-09. MS. HARBO seconded the motion.

MR. TRIVETTE asked if any of the other IOC members want to comment on these resolutions. MR. SHAW believes the major changes of adding asset classes to the asset allocation have already occurred and the changes will be at the margin. MR. ERLENDSON commented the targets establish asset classes, but there is a question of implementation and accessing those markets. He believes there is a lot of work at the margin to try to mitigate some of the alternative equity category risks that are worth considering.

A roll call vote was taken and the motion passed unanimously.

## **11. INVESTMENT ACTIONS**

### **A. Pyramis Global Advisors Tactical Bond Strategy**

MR. BADER explained Pyramis Global Advisors is a subsidiary of Fidelity Investments Company. It is a well-resourced fixed income manager with 223 professionals, including 113 in research, 40 in trading, and 39 in portfolio management, currently managing over \$358

billion of fixed income investments. The tactical bond strategy was inception in 2006 and the management team is comprised of two portfolio managers, each with over 20 years of experience. The tactical bond strategy had \$251 million of assets under management in January of 2014. The objective is to achieve high risk-adjusted returns with bond-like volatility, which includes the entire global bond market as a potential investment universe. MR. BADER informed he and MR. MITCHELL have visited with Pyramis and are impressed with their investment team. Pyramis has strong fixed income returns since inception relative to the Barclays AG Index. It is expected to be a good complement to the current strategy in fixed income. MR. BADER is recommending the Board authorize staff to engage Callan Associates to evaluate the Pyramis Tactical Bond Strategy team and subject to a favorable evaluation by Callan, to authorize staff to engage Pyramis Global Advisors to invest \$100 million in the Tactical Bond Strategy in a separate account, subject to successful contract and fee negotiations.

MR. PIHL moved to authorize staff to engage Callan Associates to evaluate the Pyramis Tactical Bond Strategy team and subject to a favorable evaluation by Callan, to authorize staff to engage Pyramis Global Advisors to invest \$100 million in the Tactical Bond Strategy in a separate account, subject to successful contract and fee negotiations. MS. RYAN seconded the motion.

A roll call vote was taken and the motion passed unanimously.

### **B. Allianz Buy-Write Fund**

MR. BADER noted, as he reported in his Chief Investment Officer Report, due to staff turnover Allianz RCM to liquidate the buy-write portfolio. There are no assets under management at the present time. Staff is recommending the ARM Board direct staff to terminate Allianz Global Investors as a buy-write manager.

MS. RYAN moved to direct staff to terminate Allianz Global Investors as a buy-write manager. MS. HARBO seconded the motion.

MR. TRIVETTE asked if Allianz ever met the target benchmark. MR. BADER stated there were times they met the benchmark and there were times they did not meet the benchmark. He believes they did not meet their benchmark most recently, but would have to verify the records.

A roll call vote was taken and the motion passed unanimously.

### **C. Absolute Return Policy - Res 2014-10**

MR. BADER advised the overall goal of the absolute return allocation is to produce strong returns with lower volatility and correlation to other asset classes. In 2013, the ARMB adopted a more opportunistic and less constrained approach to absolute return and the managers have selected a more concentrated portfolio of investment styles and underlying investments. The early results have been good. The returns were 10.2% in 2013.

A tool that currently is not available to the absolute return investment managers is the ability to make co-investments, which are investment opportunities that are offered to the ARMB investment managers on a fee advantage basis by underlying hedge fund managers or other managers. Some of the ARMB's investment managers have demonstrated the ability to source and execute co-investment opportunities and expect that adding this capability to the investment portfolio will increase risk-adjusted returns.

Staff recommends the Board adopts Resolution 2014-10, revising the absolute return policies and procedures to allow the Chief Investment Officer to approve co-investments by the ARMB's absolute return investment managers.

MS. HARBO moved to adopt Resolution 2014-10, revising the absolute return policies and procedures to allow the Chief Investment Officer to approve co-investments by the ARMB's absolute return investment managers. MR. TRIVETTE seconded the motion.

MR. TRIVETTE supported the motion on the basis that MR. BADER stated this was risk-adjusted.

A roll call vote was taken and the motion passed unanimously.

#### **D. Authority to Contract**

MR. BADER commented the authority to contract is a delegation that provides the CIO discretion and latitude to act on behalf of the Board, including entering into contracts, limited partnerships, commingled funds, as well as entering into joint venture investment relationships with current investment managers in all asset classes consistent with the guideline the Board has adopted for those asset classes. The CIO would report to the Board at the next meeting whenever action was taken under this authority.

Investment management firms with which the ARMB contracts will typically offer more than one single investment style, strategy or fund. Granting the authority to the CIO to contract, when prudent, with a current manager in good standing with the ARM would allow for a more timely investment of the ARMB assets. Currently, it takes up to six months for the process of the Board approving the direction for Callan to do a review of a manager, Callan performing the analysis, the managers presenting at a Board meeting, and then several months of contract negotiation with the manager. This timeline needs to be shortened when prudent and when Callan has previously advised and vetted a large firm.

MR. BADER stated staff is asking the ARMB to grant the Chief Investment Officer discretion to contract with current investment managers in good standing with the ARMB.

COMMISSIONER THAYER moved to grant the Chief Investment Officer discretion to contract with current investment managers in good standing with the ARMB, in amounts up to \$200 million. MS. HARBO seconded the motion.

MR. O'LEARY advised the Alaska Permanent Fund was confronted with the same challenge and as part of their policy, they have a requirement there be an independent search process when there has been no relationship with a manager, but the exception is if there is already an existing relationship with a manager, then the process can be expedited and there is no requirement there be a third-party search. He believes the policy has worked well and believes it has never been abused. MR. O'LEARY has a high degree of confidence this would serve the ARM Board well.

MR. TRIVETTE asked if there is an actual resolution attached to this motion. MR. BADER stated there is no resolution attached and this suggestion was created after the passage of HB 385 to be able to act more nimbly. It was discussed and agreed to bring this action forward in this fashion, at least until such time a clean resolution can be brought to the Board. MR. BADER noted if no resolution is brought to the Board within a year, that this action memo should expire at that point.

MR. JOHNSON reminded the Board they do have the statutory provision to delegate investment custodial depository authorities. He suggested adding a dollar limit on this motion to grant authority.

MR. BADER noted the asset allocation that was just approved has bands on it, which are limitations on the ability of staff to invest. He stated if the ARMB would like to put a limitation on the motion, he suggested it be \$200 million for a single investment.

MR. BRICE moved to amend the motion to include a limitation in amounts up to \$200 million. The motion to amend was seconded.

CHAIR SCHUBERT believes it makes sense to delegate this authority because the members are not the experts and rely on the CIO's abilities to bring suggestions and proposed changes to the Board for action. CHAIR SCHUBERT requested clarification on how this motion would affect joint venture decisions.

MR. BADER stated he is using the terms "coinvest" and "joint venture" interchangeably. He gave an example of a manager who will not take down more than a certain percentage of an investment, but the limited partner is offering a greater amount of that investment through a joint venture or coinvestment.

MR. O'LEARY commented it is not uncommon in other areas of investment, including infrastructure closed end funds, to invest in a project, but there is an opportunity to invest more than the fund can prudently allocate to that one investment. So they would fairly routinely ask the major investors in the closed end fund if they would have any interest in investing. The advantage to the investor is they do not have to pay the infrastructure fund fee on top of the actual investment.

CHAIR SCHUBERT asked if this would be a direct investment in an investment opportunity or is it an investment in a joint venture that then goes out and makes investments. MR. BADER stated, in many cases, the scenario would be as described by MR. O'LEARY. There



is also the possibility there could be an investment which teams up with other investors in a joint venture. This would be very rare and has never been utilized before.

DR. JENNINGS continued to advocate for fewer, larger positions and while this may be appropriate for this motion, when it comes back as an actual resolution and very formal, he encourages the Board to be open to larger amounts than the \$200 million. He also encouraged the discussion about fixing the amount as a percentage of assets and providing an upper limit allocation of 2% to 3% to an individual manager.

MR. PIHL commented he assumes MR. BADER has thought deeply about this and believes it can be accomplished by adding the words, "in amounts up to \$200 million."

CHAIR SCHUBERT asked if the maker and the second of the amendment to the main motion consider that a friendly amendment. CHAIR SCHUBERT stated the maker and the second of the amendment were nodding their heads in agreement.

MR. BRICE appreciated DR. JENNINGS' comments and noted there will be another ARMB meeting prior to the actual implementation of \$3 billion infusion, if it happens. He encouraged having further conversation regarding this concept in June.

COMMISSIONER THAYER asked if this motion needs to be addressed at this particular meeting or can it be addressed at the June meeting. MR. BADER commented he wants to start getting ready to act and believes the appropriation is in excess of 90% likely to occur. MR. BADER committed to the Board, he will not use this authority if for some reason the appropriation falls through in the next 48 hours. He believes it is important to begin the planning in advance. There is currently no specific investment reserved and staff wants to be able to act if an opportunity arises.

MR. SHAW commented this would allow the CIO to advance the contracting discussions, get the funds to work, and have an after-the-fact discussion as to the investment recommendation with the Board, at which time staff and the CIO may be directed to allocate more money to that manager, as necessary.

CHAIR SCHUBERT requested a confirmation there are no UBIT issues with the joint venture. MR. BADER believes with the Board's adoption of an investment plan for master limited partnerships, the UBIT issue has been set aside.

A roll call vote was taken on the amendment to the motion and the motion to amend passed, with Commissioner Thayer voting against.

A roll call vote was taken on the amended motion and the motion passed, with Commissioner Thayer voting against.

## **RECESS FOR THE DAY**

MR. BADER invited everyone to the farewell gathering to MR. O'LEARY this evening.

CHAIR SCHUBERT noted Item 12 will be taken up tomorrow and recessed the meeting at 4:05 p.m.

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**Friday, April 25, 2014**

**CALL BACK TO ORDER**

MR. TRIVETTE reconvened the meeting at 9:05 a.m.

Trustees Harbo, Erchinger, Brice, Ryan, Pihl, and Thayer were also present. CHAIR SCHUBERT arrived after the beginning of the meeting.

MR. TRIVETTE noted Item 12 will be addressed later in the meeting.

**REPORTS (Continued)**

**13. INTRODUCTION TO ALASKA BRANDED FUNDS**

MR. BADER explained the Alaska Balance Fund is an example of a branded fund. It is unique to Alaska and only available to plan participants. It has an asset allocation that has been determined by the ARM Board. Many 401(k) plans use the branded approach and advantages include providing a structure, which allows for a more diversified suite of investment managers in each asset class, maintaining a manageable investment line up while increasing diversity, mitigating the impacts on participants of manager termination and hire decisions, offering participants the ability to create portfolios which more closely resemble the ARMB's defined benefit portfolio.

MR. TRIVETTE asked if there are any additional fees the ARMB or individual participants pay. MR. BADER stated a participant could end up in a situation where they are paying greater fees because they are not getting the total assets under the management fee schedule. MR. BADER believes staff does a good job of negotiating fees and would be a priority if other managers are considered.

A brief at ease was taken to set up for the next presenter.

**Defined Contribution Plans: Alaska Branded Funds**

PERRY CHRISTIE of Great West began by giving a background of Great West and the markets they serve. He gave examples of other large plans utilizing branded funds and stated this is a very popular trend. MR. CHRISTIE noted the plan or the plan consultant determines what the allocations will be for the underlying blended mutual funds. Then the record keeper or the custodian blends the mutual funds together to create a fund. The participant gets a choice of investing in the established branded fund and are not investing in all of the individual underlying funds.

MR. CHRISTIE continued to explain if one of the underlying funds was not performing very well in the evaluation of the funds, the fund can be taken out and replaced with another fund manager without having to have a blackout, without having to close down the fund, without having to send notifications to participants. All of the underlying funds' diversification and

holdings are disclosed to participants, but on the website and fund fact sheets, the branded funds are listed as one fund. In cases where only one index fund is utilized for the branded funds, the daily share value is unitized. If that index fund ever has to be replaced because lower fees are available, for instance, the fund can easily be replaced without disrupting the plan or the participants.

MR. CHRISTIE gave examples of other large plans utilizing branded funds that are based on separate account managers rather than mutual funds. The custodian values the portfolio every day and monitors compliance of the fund managers. The custodian strikes a daily unit value and conducts the investment guideline compliance. The daily unit value is provided to the record keeper.

MR. BARNHILL stated the example combined the investment fee with the administration fee, which is something ARMB does not do, and he asked if that was standard or considered a best practice. MR. CHRISTIE commented the fee outlays vary and the disclosure is important to communicate the breakdown of fees.

MR. CHRISTIE explained the plan determines the composition of the branded fund. The custodian or record keeper takes the underlying share values and blends them together into a daily unit value that the participants will see on their statements or the website. The branded funds are typically rebalanced on a quarterly basis, but the frequency can be more or less depending on the plan sponsor. Branded funds can combine mutual funds, collective trust funds, separate accounts, specialized managers. If it is a collective trust or specialized manager, the underlying pool of assets has to be valued by the custodian.

MR. BADER asked if the branded funds are a combination of separate accounts, how is it determined where the contributions and distributions from the fund are made. MR. CHRISTIE stated the contributions received on a daily basis with a net positive trade will follow the current allocation. Any net distributions for the day, transfers out of the fund, are done at market value, which is built into the trading system.

MR. ERLENDSON asked if the original target for the two funds inside the blended fund is 40/60, but the funds get to a point where it is 25/75 at market value, will 25% be taken from the first fund and 75% from the other fund. MR. CHRISTIE agreed the percentages taken are at market value and will be rebalanced according the rebalancing schedule.

MR. CHRISTIE noted some of the advantages of branded funds are the reduction of the fund line up in the plan, lower costs, and easy replacement of poor investment performers in the portfolio. Some of the disadvantages include; no listing of branded funds in the newspaper, the website is the only public source of fund information, there is no historical return, hypothetical returns are possible based on the underlying funds being used, marketing materials have to be customized, and sometimes a little more client service activity is generated to explain how branded funds are structured. MR. CHRISTIE believes there are considerably more advantages than disadvantages.

MR. CHRISTIE informed there is a nominal annual cost per branded fund of \$5,000. This includes services like all fund changes and reconciliations, all fund allocation changes, website maintenance, voice-response system, daily valuations, and underlying trading with fund companies.

MS. HARBO asked if there is a reduction in fees for an individual investor depending upon the dollar amount invested. MR. CHRISTIE stated that would be determined by the fee structure of the individual plan. MS. HARBO asked if that was available in the examples MR. CHRISTIE provided. MR. CHRISTIE noted New York charges the same fee for all investment amounts and Louisiana has a step-down structure based on the balance of assets.

MR. O'LEARY commented Callan has seen quite a bit of activity in the branded fund area, even in their own 401(k) plan. He noted the fee per option is dependent on the expense of the underlying investments that are utilized to build the branded fund. The mega-plans can have separate accounts where the fees may be negotiated and scaled by the assets under management.

MR. TRIVETTE asked if it would be possible to provide the Board a comparison of the costs for participants and the costs of the funds of the current system and the likely costs if the system was changed to branded funds. MR. BADER said he could confer with State Street and see what, if any, the additional costs would be. The nominal cost for Great West has already been provided. MR. BADER stated investment manager fees would be hypothetical because currently there are no areas comprised of multiple investment managers. MR. BADER said he will be prepared to provide a hypothetical comparison of costs at the next Board meeting. MR. BADER stated there is a recommendation the ARMB authorize staff to further research and work with Great West in the development of optimal branded fund options with the goal of returning to the Board with an implementation recommendation.

MR. TRIVETTE asked if there has been any vetting outside of Great West as the record keeper. MR. BADER noted Great West is presenting today because they are a record keeper and they are the second largest in the nation. MR. BADER noted he is aware of other plans that utilize the branded funds, including the two presented today, LA County and New York City. He believes this direction will improve the plans, even though implementation issues will occur.

### **Action: Branded Funds**

MS. RYAN moved to authorize the staff to further research the work with Great West in the development of optimal branded fund options with the goal of returning to the Board with an implementation recommendation. MS. HARBO seconded the motion.

MR. PIHL commented the Division of Retirement and Benefits needs to be working with MR. BADER on this process. MR. PIHL requested comment on this research from the Division. MR. BARNHILL believes KATHY LEA, Chief Pension Officer, Division of Retirement & Benefits, has been involved in this discussion to-date and is available for comment. MR. BARNHILL stated the most important and beneficial characteristic of the

branded funds is the ability to replace an underperforming defined contribution manager in a manner that is transparent to the member. MS. LEA stated simplicity for the member is a key factor.

A roll call vote was taken on the amended motion and the motion passed unanimously.

#### **14. INTERNATIONAL EQUITY MANAGER SEARCH**

MR. BADER requested MR. O'LEARY provide a brief review of Callan's process in determining the short list of managers, followed by a brief description of the actions by staff.

MR. O'LEARY explained Callan begins their process by defining manager style, orientation, potential size, and any specific requests from the client. In this case, Callan was looking for a broad category of good, established, international managers. MR. O'LEARY noted this search resulted in 14 or 15 documented and advanced managers for consideration by staff. MR. BADER stated the performance attributes of this narrow list of managers was then reviewed by staff. The objective was how to blend these managers into making a portfolio of international managers that would best suit the Board's needs. It was determined SHANE CARSON would visit two of the managers and MR. BADER visited one of the managers. These managers were selected because staff believes they are the best fit into the existing portfolio.

##### **A. Allianz Global Investors**

MELODY MCDONALD, Allianz Global Investors, introduced BEN FISCHER, BURNS MCKINNEY and JIM ROBERTSON, all of Allianz Global Investors. MR. ROBERTSON provided an overview of the presentations today. MR. MCKINNEY will discuss the investment process of NFJ. MR. FISCHER is the CIO, founder and the "F" in NFJ Investment Group. MR. FISCHER will give a presentation on the history, the team, and the philosophy of NFJ. NFJ is a value shop to the point of being contrarian. Every stock that NFJ purchases has to pay a dividend because this instills financial discipline in a company. NFJ has been managing money for 25 years and became part of Allianz in 2000. Today, NFJ manages \$43 billion in assets under management in 11 different value strategies.

MR. FISCHER stated NFJ was founded in 1989 in Dallas. Currently, Allianz is the 100% manager and owner, but NFJ is a separate LLC, a separate RIA, and have a separate brand. He believes this is important to keep the culture of an investment boutique even though NFJ is part of Allianz. The expertise of NFJ is stock selection and investment research. Their investment philosophy is a rules-based structured approach to stock selection. The investment team has had very little turnover in the past 25 years. They have a revenue sharing program, which is an incentive for doing a good job for clients and the company. There have been challenges over the years during the times their value style has gone out of favor and staying with their investment philosophy has enabled them to generate their long-term rate of return of beating the MSCI ACWI ex-U.S. Index.

MR. MCKINNEY stated the NFJ investment philosophy is contrarian, buying what is out of favor, and grounded in behavioral finance. The NFJ investment strategy is simple, easily definable, and follows a rules-based process. The discipline focuses on dividends, valuations, and price momentum.

MR. TRIVETTE commented the slide presentation was very good and the information was very easy to read.

CHAIR SCHUBERT recessed the meeting from 10:18 a.m. to 10:30 a.m.

### **B. Arrowstreet Capital Limited Partnership**

MANOLIS LIODAKIS and NEIL TREMBLAY of Arrowstreet Capital Limited Partnership gave a presentation on the Arrowstreet Active International Equity Strategy. The goal of the strategy is to return roughly 3% above the benchmark per annum, while taking roughly 3% to 7% active risk. Arrowstreet was founded in 1999, with the goal of creating a focused investment management firm investing in international equities and to properly align the incentives of the firm with those of the clients via a partnership mode.

Arrowstreet remains a private partnership today with roughly 150 employees, including the three founding partners. The portfolio management team has only lost two partner level portfolio management members, one of whom retired. All of the portfolios are managed in a team manner. The research group is tasked with creating the alpha insights in conjunction with the portfolio management team. The investment processes group is tasked with codifying the alpha insights into the models, which are used by the portfolio management team to construct portfolios. Arrowstreet is specialist investment manager focussing on international and global equities in the developed and emerging markets. They only work for institutional investors. There is roughly \$50 billion of assets under management. The same investment process, management team, and alpha engine is utilized for each strategy managed.

MR. LIODAKIS provided a detailed presentation on the Arrowstreet investment philosophy and clarified how they use quantitative models and tools. This allows them to exploit diagnostics and provides precise measurements. The quantitative tools allows for a systematic and unemotional process of investing. It also allows for investing in a breadth of company characteristics and styles at a large scale with a well-diversified and risk-managed portfolio. Despite the use of quantitative models, there is a significant amount of human insight and judgement throughout the investment process.

MR. BADER requested further explanation of what is meant by human insight in the investment process. MR. LIODAKIS noted investment insights are also referred to as investment signals, including valuations, earnings quality, management strength, and share buy-backs. The portfolio contains about 300 to 400 stocks, is actively managed, and is generally style-neutral.

MR. TRIVETTE asked what the annualized value added numbers net of fees are. MR. TREMBLAY noted the value added since inception is 3.47% as of 12/31 and is on a gross basis. On a net basis, it would be roughly 3%, which is the target value added amount.

### **C. Baillie Gifford**

LARYSA BEMKO and GERARD CALLAHAN of Baillie Gifford gave a presentation on the ACWI ex U.S. Focus Strategy. MR. CALLAHAN has been with Baillie Gifford for 23 years, 14 of those as a partner, and he is also the chairman of the strategy portfolio construction group. MS. BEMKO commented Baillie Gifford is an incredibly stable organization, consisting of experienced long-term investors with a track record of excellence in both up and down markets, and has an overwhelming commitment to the clients and clients' needs. Baillie Gifford has been an investment manager since 1908 and is privately owned by 39 partners who run the business on a day-to-day basis.

The sole focus is on generating excellent long-term returns for clients. The investment strategy utilizes a bottom-up fundamental research analysis process. All, except for four employees, are located in Edinburgh, Scotland, which MS. BEMKO believes is a differentiating feature. There are two directors for each client relationship and the two directors handle 12 to 15 clients to provide excellent client service. The length of investment professional tenure is high, as shown on Slide 3, and staff turnover is low, at under 5%.

MR. CALLAHAN gave a detailed presentation of the investment style, approach, and philosophy, which includes a bottom-up selection process, a long-term approach, with a minimum five-year investment timeframe for company selection, and a pronounced growth bias in the style of stock selection.

MR. TRIVETTE asked who is on the risk team and have they chosen to be there. MS. BEMKO explained the risk team is a separate team from the investment team or the client service department. It is a bespoke team comprised of six individuals whose responsibilities are to look at risk across all the strategies. The risk team reports to a governance team, which is headed by a partner.

MR. O'LEARY requested a breakdown of the North American client assets. He noted this particular product has assets of \$7.5 billion and the total firm assets as \$174 billion. MS. BEMKO stated the total number of clients at the firm is 362. The total of North American clients is 201, which includes 169 clients in the U.S., totaling \$64 billion. In the U.S., 48 of those clients are public pension plans. The investment strategies include four international strategies, an emerging markets strategy, a global strategy, and special strategies.

MR. O'LEARY asked for the distinction between International Focus Assets and ACWI ex U.S. Focus Assets. MS. BEMKO explained the International Focus Assets is the strategy MR. CALLAHAN and his three colleagues are responsible for. There are four strategies of International Focus, which are effectively the differences in the benchmark and are client-driven.



MR. O'LEARY commented Vanguard is a well-known entity and Baillie Gifford has had a long and expanded relationship with them. He requested further information. MS. BEMKO stated Baillie Gifford has been a sub-advisor for Vanguard since 2003. The initial relationship started with the Vanguard International Growth Fund and the mandate is called the EAFE Plus Alpha Strategy, which is managed by a separate portfolio construction group. Since 2003, two more mandates, sub-advisory relationships, with Vanguard have occurred, the Vanguard Global Growth Strategy and the Vanguard U.S. Growth Strategy.

MR. O'LEARY asked if these are multiple sub-advisor vehicles. MS. BEMKO agreed and noted in each of those cases, Baillie Gifford is one of three managers who are sub-advising.

MR. JOHNSON asked if the Scottish devolution issues have any effect on the ability of Baillie Gifford to perform for its clients. MR. CALLAHAN stated the honest answer is he does not know what the outcome is going to be from the referendum scheduled in October of this year. There is some degree of uncertainty with regards to regulatory arrangements within the U.K. MR. CALLAHAN stated the firm feels quite relaxed working under any reasonable arrangements. The vast majority of Baillie Gifford's clients are outside of Scotland and outside of the U.K.

MR. PIHL requested an explanation of the difference in stated performance between the one and five-year numbers on Slide 10, period ending February 28, 2014, compared with the same numbers on Slide 15, period ending December 31, 2013. MR. CALLAHAN stated in any short period of time, the performance can swing from favorable to unfavorable and he would not read too much into the short-term swings. The five-year numbers are reflective of the impact of volatility in that year when markets were falling very quickly and then bouncing very quickly. MR. PIHL noted the 5-year number has almost a 5% change in just a two-month chart difference. MR. CALLAHAN agreed and explained that indicates a particularly volatile time for markets.

#### **D. Manager Diversification**

MR. BADER noted the action memo asks the Board to appoint all three managers who presented today and gave a short presentation explaining the reasons for the action. The portfolio has been underweight in the global equity component for quite some time. Staff ran a simulation to analyze the performance impact of additional managers and the simulation was run on a small cap portfolio. The results included the probability of beating the index increased with the number of managers, the magnitude of improvement decreased with the number of managers, and the ideal situation is a group of active managers that can generate excess returns that are uncorrelated or negatively correlated. MR. BADER believes having active managers in the international asset class is warranted.

#### **ACTION: Board Discussion/Selection**

MS. HARBO moved the ARMB hire Allianz, Arrowstreet, and Baillie Gifford to each manage \$200 million Global ex U.S. portfolio, subject to successful contract and fee negotiations. MR. BRICE seconded the motion.

MR. TRIVETTE believes staff has chosen three good firms for recommendation and strongly supports the motion.

DR. JENNINGS commented January 2009 was a minus 10% return month and believes Baillie Gifford's data is consistent and would shift their long-term numbers quite a bit. DR. JENNINGS emphasized the staff simulation used only outstanding investment managers in the simulation and even then, there is a 1/3 to 1/4 chance of underperforming the benchmark. He agrees that adding too many managers has declining benefits. DR. JENNINGS stated part of this process of creating an intelligent blend of asset managers on the front end, is knowing that one of the managers will look bad in three to five years. DR. JENNINGS noted he normally would be arguing for larger than the \$200 million in this action, but believes that will come over time with the potential of a large contribution and the potential of resizing some of the existing managers. He supports the motion.

A roll call vote was taken and the motion passed unanimously.

## **UNFINISHED BUSINESS**

- 1. Disclosure Reports**
- 2. Meeting Schedule**

CHAIR SCHUBERT stated the disclosure reports and the meeting schedule are included in the meeting packet.

MR. BADER asked if CHAIR SCHUBERT wanted to review the Procurement Actions at this point in the agenda.

## **12. PROCUREMENT ACTIONS**

### **A. RFP General Consultant 14-010**

MR. BADER reported the Committee met to score the RFPs for the General Consultant and that he was appointed Chair of the Committee. The Committee did not reach a conclusion but would be scheduling another meeting and plans on bringing its recommendation to the Board at the June meeting.

CHAIR SCHUBERT stated this action item for the Board will be scheduled for the next meeting.

### **B. RFP Real Estate Consultant 14-012**

MR. BADER informed the Real Estate Committee met and the Chair was MS. ERCHINGER. She is online and asked that MR. BADER provide an in-person report. The Evaluation Committee recommends the Board direct staff to publish a notice of intent to award the real

estate consulting services contract to Townsend Group, and upon expiration of a 10-day notice period if there are no protests, that a contract be entered into with Townsend.

MS. BRICE moved to direct staff to publish a notice of intent to award the real estate consulting services contract to Townsend Group and, upon expiration of a 10-day notice period if there are no protests, that a contract be entered into with Townsend. MS. RYAN seconded the motion.

A roll call vote was taken and the motion passed unanimously.

### **C. RFS IAC Appointment 14-011**

CHAIR SCHUBERT is the Chair of the IAC Committee. She noted the Committee met and recommended DR. JENNINGS be appointed to a three-year term to the ARM Board Investment Advisory Council. CHAIR SCHUBERT moved, as Chair, to appoint DR. JENNINGS to a three-year term to the ARM Board Investment Advisory Council. No second is needed.

A roll call vote was taken and the motion passed unanimously.

### **UNFINISHED BUSINESS (CONTINUED)**

#### **3. Legal Report**

MR. JOHNSON indicated he has spent a fair amount of time working with Mr. Carson and MR. HANNA on various contractual matters. MR. JOHNSON reported he participated in a due diligence review of a particular matter and has been quite busy outside the constraints and framework of these particular board meetings. CHAIR SCHUBERT asked if MR. JOHNSON will be in attendance at the next meeting. MR. JOHNSON agreed.

### **NEW BUSINESS**

MR. BRICE directed staff to send a letter to Representative Cathy Munoz and to Senator Anna Fairclough thanking them for their support of the PERS and TRS systems, and their efforts this past legislative session.

CHAIR SCHUBERT recommended the Governor be included in receiving a thank you letter.

COMMISSIONER THAYER suggested a thank you letter be sent to all 60 of the legislators, considering the passage was unanimous. He noted Senator Kelly carried the bill. MR. BRICE appreciated the comment and appreciates Senator Kelly's role and believes Representative Munoz was the major lead in the House in terms of killing the PAYGO program. COMMISSIONER THAYER stated Representative Munoz was asked to do that and had great talking points. MR. BRICE reminded it was Senator Fairclough who engaged the Administration early in the session to bring in the actuaries to provide reviews. MR. BRICE stated he is supportive of the ARMB sending a few letters or 60 letters.

COMMISSIONER THAYER believes all 60 legislators who voted in favor should be thanked.

CHAIR SCHUBERT stated she could put a personal phone call in to Representative Cathy Munoz and to Senator Anna Fairclough. CHAIR SCHUBERT requested MS. HALL draft a letter to that effect and also include the Governor.

#### **OTHER MATTERS TO PROPERLY COME BEFORE THE BOARD**

None

#### **PUBLIC/MEMBER COMMENTS**

None

#### **INVESTMENT ADVISORY COUNCIL COMMENTS**

CHAIR SCHUBERT welcomed DR. JENNINGS to his three-year IAC appointment.

#### **TRUSTEE COMMENTS**

MR. PIHL hopes this is the last time he has to make the point and he wants the record to be clear that he very much applauds the Governor and the successful effort to address the unfunded liability with the \$3 billion infusion. MR. PIHL expressed his deep regret over what he feels is the unnecessary extension of the amortization period bringing huge additional costs, more than \$2.5 billion, to the people across Alaska and forcing an even greater number into the state budgets in the future. On the one hand, the snowball has been stemmed, but on the other hand, it has gone wild.

MR. TRIVETTE wanted to put MR. JOHNSON on notice that, once the infusion is all settled and is in the capital budget, he is requested to spend time educating the Board on the different options within the requirements of the bill and discussing legislative intent and effects. MR. TRIVETTE stated information from the actuaries will likewise be sought before the meeting in June regarding options so the Board can have a responsible and reasonable discussion at that time.

MR. PIHL complemented DEPUTY COMMISSIONER BARNHILL for his good work in reorganizing his team.

#### **FUTURE AGENDA ITEMS**

None

#### **ADJOURNMENT**

There being no objection and no further business to come before the Board, the meeting was adjourned at 11:53 a.m. on April 25, 2014, on a motion made by MS. HARBO and seconded by COMMISSIONER THAYER.

Chair of the Board of Trustees  
Alaska Retirement Management Board

**ATTEST:**

\_\_\_\_\_  
Corporate Secretary

## ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Invoices & Summary of Monthly Billings -  
Buck Consultants, A Xerox Company

ACTION: \_\_\_\_\_

DATE: June 26, 2014

INFORMATION: **X**

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### BACKGROUND:

AS 37.10.220(a)(8) prescribes that the Alaska Retirement Management Board (Board) “coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios....”

As part of the oversight process, the Board has requested that the Division of Retirement & Benefits provide a quarterly summary update to review billings and services provided for actuarial valuations and other systems requests.

### STATUS:

Attached are the summary totals for the nine months ended March 31, 2014.

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**Buck Consultants**  
**Billing Summary**  
**For the Three Months Ended September 30, 2013**

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>	<u>AHF</u>	<u>RHF</u>	<u>SBS</u>	<u>DCP</u>	<u>TOTAL</u>
Actuarial Valuations DB	\$ 38,878	27,907	2,948	1,962	1,238	-	3,001	-	-	\$ 75,934
Audit Request	3,579	2,985	-	-	-	-	-	-	-	6,564
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	1,106	432	10	-	-	-	-	-	-	1,548
Actuarial cost calculation of the healthcare benefit for member	883	-	-	-	-	-	-	-	-	883
Research & discussions regarding projects results for PERS & TRS	629	629	-	-	-	-	-	-	-	1,258
Research & discussions re: membership statistics as of June 30, 2013 for ARMB meeting	317	124	3	12	-	-	-	143	34	632
Research & review of info re: amortztn method used in actuarial val confirming rolling amortztn is not used	1,085	424	-	-	-	-	-	-	-	1,509
Misc emails and phone calls	3,589	1,383	-	-	-	-	-	-	-	4,972
<b>TOTAL</b>	<b>\$ 50,064</b>	<b>33,884</b>	<b>2,961</b>	<b>1,974</b>	<b>1,238</b>	<b>-</b>	<b>3,001</b>	<b>143</b>	<b>34</b>	<b>\$ 93,300</b>

**For the Six Months Ended December 31, 2013**

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>	<u>AHF</u>	<u>RHF</u>	<u>SBS</u>	<u>DCP</u>	<u>TOTAL</u>
Actuarial Valuations DB	\$ 104,481	62,739	-	-	-	-	4,940	-	-	\$ 172,160
Audit Request	2,448	1,503	1,186	-	874	-	-	-	-	6,011
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	2,620	2,143	190	-	-	-	-	-	-	4,953
COLA eligibility study for PERS and TRS	810	795	-	-	-	-	-	-	-	1,605
Consulting, research & analysis for the implementation of the new GASB accounting	8,116	5,588	-	-	-	-	-	-	-	13,704
Consulting, research & correspondence re: how death benefits during active military service required under the HEART Act are valued in the actuarial valuations	855	334	8	-	-	-	-	-	-	1,197
DCR healthcare study using DCR eligibility & DB tier medical plan	742	264	-	-	-	-	-	-	-	1,006
Misc emails and phone calls	4,013	1,547	-	-	-	-	-	-	-	5,560
<b>TOTAL</b>	<b>\$ 124,085</b>	<b>74,913</b>	<b>1,384</b>	<b>-</b>	<b>874</b>	<b>-</b>	<b>4,940</b>	<b>-</b>	<b>-</b>	<b>\$ 206,196</b>

**For the Nine Months Ended March 31, 2014**

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>	<u>AHF</u>	<u>RHF</u>	<u>SBS</u>	<u>DCP</u>	<u>TOTAL</u>
Actuarial Valuations DB and DCR	\$ 52,947	45,296	6,637	3,644	-	-	-	-	-	\$ 108,524
Experience Analysis	20,576	15,523	5,295	1,844	-	-	-	-	-	43,238
Research, discussions, & review of new GASB 67 disclosure calcs as they apply to PERS & TRS	3,148	1,231	-	-	-	-	-	-	-	4,379
20 year projection of expected retiree populations for PERS & TRS, including changes each year for new retirees & deaths	3,850	2,347	-	-	-	-	-	-	-	6,197
Correspondence & discussions regarding the actuarial procedures used for part-time employees	1,030	403	-	-	-	-	-	-	-	1,433
Termination cost studies performed over the last three years	1,662	-	-	-	-	-	-	-	-	1,662
Presentation of February 7th for ARMB meeting, including extending the projections out 60 years	5,622	3,078	-	-	-	-	-	-	-	8,700
Projection of expected number of retirees & beneficiaries receiving benefit payments from 2013 to 2034	4,931	3,499	-	-	-	-	-	-	-	8,430
Review of motion for the Dept. of Law to assist in the matter involving the Aleutian Region SD	2,085	-	-	-	-	-	-	-	-	2,085
DCR expense policy study	2,280	2,280	-	-	-	-	-	-	-	4,560
Research & discussions of replacement ratios for DCR Plan	1,004	1,004	-	-	-	-	-	-	-	2,008
Consulting & discussions re proposed legislation on compound prescription drug claims & Aetna's responses, including fiscal impact	2,018	2,018	-	-	-	2,017	-	-	-	6,054
Misc emails and phone calls	3,774	1,455	-	-	-	-	-	-	-	5,229
<b>TOTAL</b>	<b>\$ 104,927</b>	<b>78,134</b>	<b>11,932</b>	<b>5,488</b>	<b>-</b>	<b>2,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 202,499</b>

## Summary through the Nine Months Ended March 31, 2014

	<u>PERS</u>	<u>TRS</u>	<u>JRS</u>	<u>NGNMRS</u>	<u>EPORS</u>	<u>AHF</u>	<u>RHF</u>	<u>SBS</u>	<u>DCP</u>	<u>TOTAL</u>
Actuarial Valuations DB and DCR	\$ 196,306	135,942	9,585	5,606	1,238	-	7,941	-	-	\$ 356,618
Audit Request	6,027	4,488	1,186	-	874	-	-	-	-	12,575
Experience Analysis	20,576	15,523	5,295	1,844	-	-	-	-	-	43,238
Allocation of ER contributions between Pension & Healthcare to include salaries by ER	3,726	2,575	200	-	-	-	-	-	-	6,501
Actuarial cost calculation of the healthcare benefit for member	883	-	-	-	-	-	-	-	-	883
Research & discussions regarding projects results for PERS & TRS	629	629	-	-	-	-	-	-	-	1,258
Research & discussions re: membership statistics as of June 30, 2013 for ARMB meeting	317	124	3	12	-	-	-	143	34	632
Research & review of info re: amortztn method used in actuarial val confirming rolling amortztn is not used	1,085	424	-	-	-	-	-	-	-	1,509
COLA eligibility study for PERS and TRS	810	795	-	-	-	-	-	-	-	1,605
Consulting, research & analysis for the implementation of the new GASB accounting	8,116	5,588	-	-	-	-	-	-	-	13,704
Consulting, research & correspondence re: how death benefits during active military service required under the HEART Act are valued in the actuarial valuations	855	334	8	-	-	-	-	-	-	1,197
DCR healthcare study using DCR eligibility & DB tier medical plan	742	264	-	-	-	-	-	-	-	1,006
Research, discussions, & review of new GASB 67 disclosure calcs as they apply to PERS & TRS	3,148	1,231	-	-	-	-	-	-	-	4,379
20 year projection of expected retiree populations for PERS & TRS, including changes each year for new retirees & deaths	3,850	2,347	-	-	-	-	-	-	-	6,197
Correspondence & discussions regarding the actuarial procedures used for part-time employees	1,030	403	-	-	-	-	-	-	-	1,433
Termination cost studies performed over the last three years	1,662	-	-	-	-	-	-	-	-	1,662
Presentation of February 7th for ARMB meeting, including extending the projections out 60 years	5,622	3,078	-	-	-	-	-	-	-	8,700
Projection of expected number of retirees & beneficiaries receiving benefit payments from 2013 to 2034	4,931	3,499	-	-	-	-	-	-	-	8,430
Review of motion for the Dept. of Law to assist in the matter involving the Aleutian Region SD	2,085	-	-	-	-	-	-	-	-	2,085
DCR expense policy study	2,280	2,280	-	-	-	-	-	-	-	4,560
Research & discussions of replacement ratios for DCR Plan	1,004	1,004	-	-	-	-	-	-	-	2,008
Consulting & discussions re proposed legislation on compound prescription drug claims & Aetna's responses, including fiscal impact	2,018	2,018	-	-	-	2,017	-	-	-	6,054
Misc emails and phone calls	11,375	4,386	-	-	-	-	-	-	-	15,761
<b>TOTAL</b>	<b>\$ 279,076</b>	<b>186,932</b>	<b>16,277</b>	<b>7,462</b>	<b>2,112</b>	<b>2,017</b>	<b>7,941</b>	<b>143</b>	<b>34</b>	<b>\$ 501,995</b>



# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Retirement System Membership Activity  
as of March 31, 2014

ACTION: \_\_\_\_\_

DATE: June 26, 2014

INFORMATION:   **X**  

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## **BACKGROUND:**

Information related to PERS, TRS, JRS, NGNMRS, SBS and DCP membership activity as requested by the Board.

## **STATUS:**

Membership information as of March 31, 2014.

# MEMBERSHIP STATISTICS AS OF SEPTEMBER 30, 2013

	PERS					TRS				JRS	NG	SBS	DCP
	DB		DC		TOTAL	DB		DC		TOTAL			
	Tier I	Tier II	Tier III	Tier IV		Tier I	Tier II	Tier III	Tier IV				
Active Members	3,121	5,721	12,071	15,060	35,973	1,064	5,496	3,941	10,501	73	n/a	28,262	7,661
Terminated Members	2,353	5,201	11,336	6,945	25,835	474	2,576	1,476	4,526	4	n/a	13,696	2,602
Retirees & Beneficiaries	23,033	5,258	1,678	4	29,973	10,453	1,272	-	11,725	108	639	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,638	6,638	n/a	n/a	1,763	1,763	n/a	n/a	927	883
Retirements - 1st QTR FY14	237	164	93	n/a	494	194	176	n/a	370	-	50	n/a	n/a
Full Disbursements - 1st QTR FY14	20	71	139	429	659	17	39	108	164	-	n/a	630	143
Partial Disbursements - 1st QTR FY14	n/a	n/a	n/a	23	23	n/a	n/a	13	13	n/a	n/a	437	447

### MEMBERSHIP STATISTICS AS OF DECEMBER 31, 2013

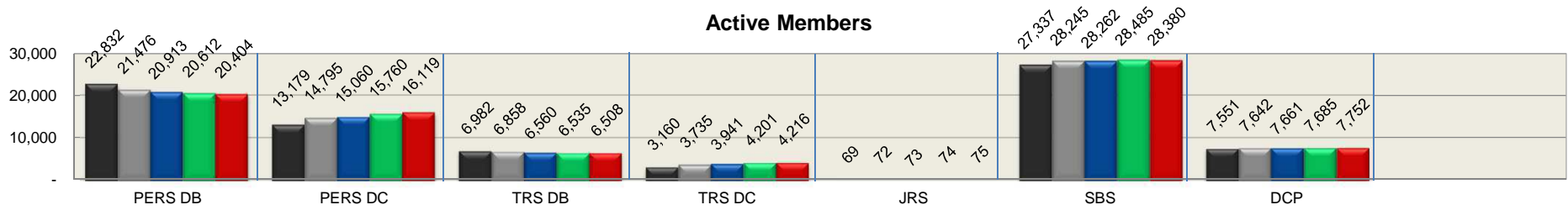
	PERS					TRS				JRS	NG	SBS	DCP
	DB		DC			DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	3,020	5,645	11,947	15,760	36,372	1,067	5,468	4,201	10,736	74	n/a	28,485	7,685
Terminated Members	2,296	5,139	11,285	7,114	25,834	457	2,570	1,407	4,434	4	n/a	13,881	2,653
Retirees & Beneficiaries	23,094	5,377	1,756	4	30,231	10,442	1,299	-	11,741	108	642	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,549	6,549	n/a	n/a	1,746	1,746	n/a	n/a	953	918
Retirements - 2nd QTR FY14	133	110	80	n/a	323	17	21	n/a	38	-	25	n/a	n/a
Full Disbursements - 2nd QTR FY14	23	26	133	379	561	12	27	50	89	-	n/a	544	124
Partial Disbursements - 2nd QTR FY14	n/a	n/a	n/a	32	32	n/a	n/a	10	10	n/a	n/a	485	460

### MEMBERSHIP STATISTICS AS OF MARCH 31, 2014

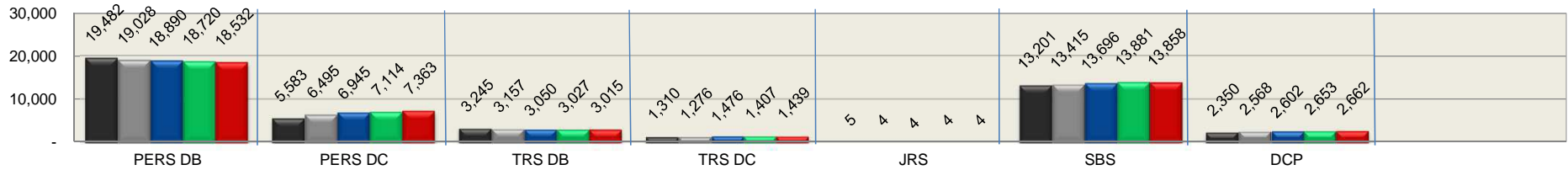
	PERS					TRS				JRS	NG	SBS	DCP
	DB		DC			DB		DC					
	Tier I	Tier II	Tier III	Tier IV	TOTAL	Tier I	Tier II	Tier III	TOTAL				
Active Members	2,971	5,596	11,837	16,119	36,523	1,060	5,448	4,216	10,724	75	n/a	28,380	7,752
Terminated Members	2,208	5,090	11,234	7,363	25,895	450	2,565	1,439	4,454	4	n/a	13,858	2,662
Retirees & Beneficiaries	23,165	5,455	1,820	5	30,445	10,427	1,314	-	11,741	108	650	n/a	n/a
Managed Accounts	n/a	n/a	n/a	6,458	6,458	n/a	n/a	1,723	1,723	n/a	n/a	979	961
Retirements - 3rd QTR FY14	150	93	66	n/a	309	10	18	n/a	28	-	21	n/a	n/a
Full Disbursements - 3rd QTR FY14	17	39	137	403	596	3	25	56	84	-	n/a	543	119
Partial Disbursements - 3rd QTR FY14	n/a	n/a	n/a	32	32	n/a	n/a	9	9	n/a	n/a	535	473

Alaska Division of Retirement and Benefits  
**FY 2014 QUARTERLY REPORT OF MEMBERSHIP STATISTICS**  
 Annual & Quarterly Trends as of March 31, 2014

**Active Members**



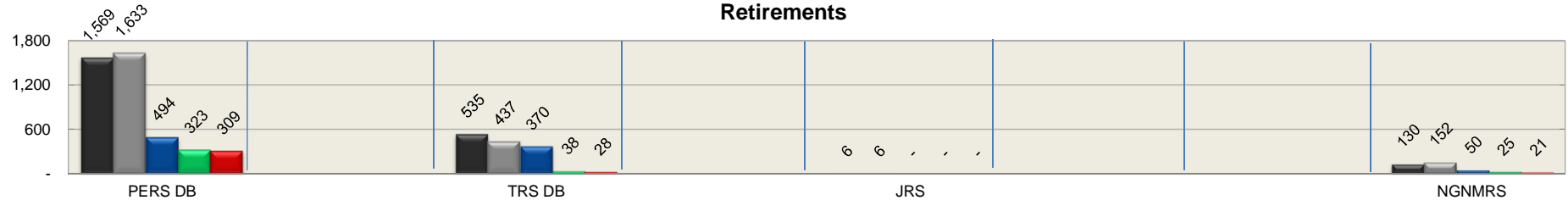
**Terminated Members**



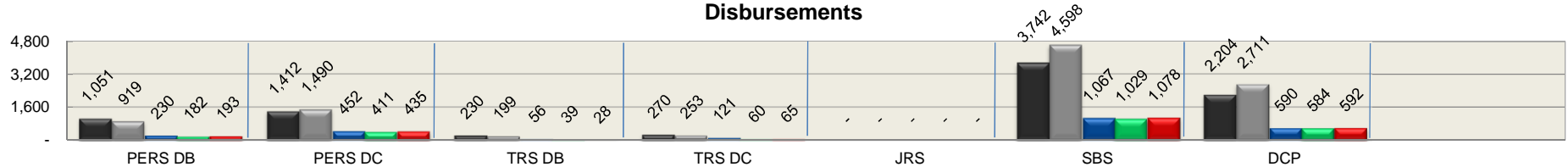
**Retirees & Beneficiaries**



**Retirements**



**Disbursements**



FY2012
  FY2013
  FY14 1st Qtr
  FY14 2nd Qtr
  FY14 3rd Qtr

## LEGEND

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**Active Members** - All active members at the time of the data pull.

**Terminated Members** - All members who have terminated without refunding their account.

**Retirees & Beneficiaries** - All members who have retired from the plans, including beneficiaries eligible for benefits.

**Managed Accounts** - Individuals who have elected to participate in the managed accounts option with Great West.

**Retirements** - The number of retirement applications processed.

**Full Disbursements** - All types of disbursements that leave the member balance at zero.

**Partial Disbursements** - All types of disbursements that leave the member balance above zero. If more than one partial disbursement is completed during the quarter for a member, they are counted only once for statistical purposes.

## CHIEF INVESTMENT OFFICER REPORT

1. Rebalanced funds April 22, 2014, May 1, 2014, May 22, 2014, and June 5, 2014.
2. Remove Brandes Investment Partners from the performance watch list.
3. Remove RCM Allianz Large Cap from the performance watch list.
4. Remove Relational Investors from the performance watch list.
5. \$30 million commitment to Resolute Fund III of the Jordan Company.
6. Redeemed \$10 million from Crestline Blue Glacier Fund.
7. Redeemed \$150 million from Lazard Global Fund.
8. Invested \$50 million in Advent Capital convertible bond fund.
9. Invested \$100 million in Analytic Investors/SSgA Buy Write strategy.
10. Redeemed \$9.8 million from Crestline Blue Glacier Fund.
11. Reinvested \$5.768 million in Crestline Blue Glacier Fund (Class B).
12. Sold fixed income assets to fund \$100 million investment with Everest Frontier Markets.
13. Rebalanced toward asset allocation by selling Russell 1K Value (\$200 million) and Growth (\$100 million) and buying fixed income assets.
14. Transferred \$1.997 million from cash to Blue Glacier Fund (Class B).
15. Amended Crestline Limited Partnership Agreement (LPA).
16. Increased Crestline commitment from \$264.7 million to \$320 million.
17. Sold \$50 million SSgA Russell 200 to fund J.P. Morgan infrastructure fund capital call.
18. \_\_\_\_\_
19. \_\_\_\_\_

4/22/2014

Rebalancing Trades (Final)

4/22/2014			Pension				Health Care				JRS
Rebalancing Trades (Final)			PERS		TRS	JRS	AIL	PERS		TRS	JRS
	AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4				
Broad Domestic Equity											
Large Cap Pool (AYQK)	2,102,084	640,587	42,718	146,404	(2,350,553)	(970,584)	(4,641)				
Small Cap Pool (AYQC)	434,392	132,377	8,827	30,254	(485,738)	(200,569)	(959)				
Alternative Equity Strategies											
Advent Capital Convertible Bond (AY52)	62,923	19,470	1,274		(67,212)	(27,874)	(130)				
Alternative Equity Strategies Pool (AYYK)	241,324	74,662	4,890		(257,771)	(106,903)	(499)				
Global Equity Ex-US											
International Equity Pool (AYRC)	1,769,768	545,811	35,885	25,836	(1,908,949)	(790,931)	(3,713)				
International Equity - Small Cap Pool (AYRK)	140,022	43,185	2,839	2,044	(151,094)	(62,577)	(294)				
Emerging Markets Pool (AYSC)	257,746	79,489	5,227	3,763	(278,017)	(115,190)	(540)				
Private Equity											
Private Equity Pool (AYSK)	734,962	227,386	14,894		(785,053)	(325,577)	(1,521)				
Real Assets											
Real Estate Pool (AYVK)	(203,534)	(179,533)	(2,666)								
JP Morgan Real Estate (AY7A)	19,558	(20,281)	723		225,244	16,558	2,037				
REIT Holdings (AY9H)	153,152	47,381	3,101		(163,586)	(67,842)	(317)				
FarmLand Pool (AYTK)	328,798	101,719	6,661		(351,203)	(145,651)	(680)				
Timber Pool (AYUK)	121,108	37,464	2,452		(129,356)	(53,647)	(251)				
Energy Pool (AYVC)	46,779	14,467	942		(49,961)	(20,719)	(96)				
TIPS Internally Managed (AY6N)	15,069	4,661	305		(16,096)	(6,675)	(31)				
MLP Pool (AYWK)	191,755	59,327	3,886		(204,824)	(84,945)	(397)				
Private Infrastructure (AYZK)	-	-	-		-	-	-				
Public Infrastructure (AYMK)	67,473	20,882	1,365		(72,075)	(29,892)	(140)				
Absolute Return											
Absolute Return Pool (AYTC)	371,520	114,939	7,529		(396,840)	(164,577)	(769)				
Fixed Income											
Taxable Municipal Bond Pool (AYZC)	94,685	29,386	1,918	(1,398)	(100,133)	(41,568)	(193)				
US Treasury Fixed Income Pool (AY1A)	512,922	156,041	10,427	39,747	(576,442)	(237,911)	(1,141)				
Mondrian Inv. Partners Inc (AY63)	164,913	51,368	3,337	(5,159)	(172,446)	(71,667)	(331)				
High Yield Pool (AYPK)	245,645	76,075	4,977	(1,119)	(261,584)	(108,516)	(506)				
Lazard Emerging Income (AY5M)	67,436	20,931	1,366	(996)	(71,316)	(29,605)	(138)				
Short-term Fixed Income											
State of AK Short Term Pool (AY70)	(7,940,500)	(2,297,794)	(162,877)	(239,376)	8,624,945	3,646,862	15,250				



4/22/2014

Rebalancing Trades (Final)

	DC Medical			DC Health Reimbursement			DC OD&D			P&F		
	AYX2	PERS	TNS	AYX3	TNS	PERS	AYY3	TNS	PERS	AY6G	TNS	AY6H
Broad Domestic Equity												
Large Cap Pool (AYQK)	33,304		12,334			245,544		82,914	11,079		(324)	9,134
Small Cap Pool (AYQC)	6,882		2,549			50,741		17,134	2,289		(67)	1,888
Alternative Equity Strategies												
Advent Capital Convertible Bond (AY52)	977		362			7,197		2,429	326		(9)	267
Alternative Equity Strategies Pool (AYYK)	3,749		1,389			27,602		9,317	1,248		(34)	1,026
Global Equity Ex-US												
International Equity Pool (AYRC)	27,609		10,229			203,320		68,638	9,190		(254)	7,561
International Equity - Small Cap Pool (AYRK)	2,184		809			16,086		5,431	727		(20)	598
Emerging Markets Pool (AYSC)	4,021		1,490			29,611		9,997	1,338		(37)	1,102
Private Equity												
Private Equity Pool (AYSK)	11,418		4,231			84,061		28,376	3,801		(103)	3,125
Real Assets												
Real Estate Pool (AYVK)	12,761		4,851			87,385		28,999	4,427		297	3,174
JP Morgan Real Estate (AY7A)												
REIT Holdings (AY9H)	2,379		882			17,516		5,913	792		(22)	651
Farmstead Pool (AYTK)	5,109		1,893			37,606		12,695	1,700		(46)	1,399
Timber Pool (AYUK)	1,881		697			13,851		4,676	627		(17)	515
Energy Pool (AYVC)	727		270			5,350		1,806	242		(6)	199
TIPS Internally Managed (AY6N)	235		86			1,724		582	78		(2)	64
MLP Pool (AYWK)	2,979		1,104			21,932		7,403	992		(27)	815
Private Infrastructure (AYZK)												
Public Infrastructure (AYMK)	1,048		389			7,718		2,606	349		(10)	287
Absolute Return												
Absolute Return Pool (AYTC)	5,772		2,139			42,493		14,344	1,922		(52)	1,580
Fixed Income												
Taxable Municipal Bond Pool (AYZC)	1,465		543			10,781		3,639	488		(14)	401
US Treasury Fixed Income Pool (AYLA)	8,144		3,016			60,055		20,279	2,709		(80)	2,234
Mondrian Inv. Partners Inc (AY63)	2,540		941			18,681		6,305	846		(22)	694
High Yield Pool (AYPK)	3,812		1,413			28,056		9,470	1,269		(35)	1,043
Lazard Emerging Income (AY5M)	1,043		386			7,678		2,592	347		(9)	285
Short-term Fixed Income												
State of AK Short Term Pool (AY70)	140,039		(52,003)			(1,024,988)		(345,545)	(46,786)		893	(38,042)



5/1/2014

Rebalancing Trades (Final)

5/1/2014		Pension			Health Care			JRS		
Rebalancing Trades (Final)		PEBS	TRS	JRS	MI	PEBS	TRS	JRS		
	AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4			
Broad Domestic Equity										
Large Cap Pool (AYQK)	(3,532,932)	(4,262,957)	(34,844)	(7,386)	5,803,781	1,454,127	26,169			
Small Cap Pool (AYQC)	(714,372)	(861,988)	(7,044)	(1,494)	1,173,547	294,030	5,291			
Alternative Equity Strategies										
Advent Capital Convertible Bond (AY52)	(102,711)	(123,880)	(1,011)		168,530	42,219	760			
Alternative Equity Strategies Pool (AYYK)	(406,534)	(490,318)	(4,009)		667,050	167,108	3,008			
Global Equity Ex-US										
International Equity Pool (AYRC)	(2,917,376)	(3,526,623)	(28,698)	(30,524)	4,815,253	1,207,055	21,707			
International Equity - Small Cap Pool (AYRK)	(229,885)	(277,896)	(2,257)	(2,405)	379,435	95,114	1,710			
Emerging Markets Pool (AYSC)	(414,923)	(501,577)	(4,079)	(4,341)	684,850	171,674	3,087			
Private Equity										
Private Equity Pool (AYSK)	(1,217,627)	(1,468,566)	(12,016)		1,997,913	500,511	9,010			
Real Assets										
Real Estate Pool (AYVK)	(2,573,074)	(1,758,559)	(40,672)		3,218,310	930,216	13,322			
JP Morgan Real Estate (AY7A)	125,950	(130,404)	4,454							
REIT Holdings (AY9H)	(252,408)	(304,421)	(2,488)		414,151	103,752	1,867			
FarmLand Pool (AYTK)	(536,249)	(646,756)	(5,292)		879,886	220,427	3,968			
Timber Pool (AYUK)	(217,541)	(262,373)	(2,147)		356,947	89,422	1,610			
Energy Pool (AYVC)	(74,876)	(90,298)	(739)		122,853	30,776	554			
TIPS Internally Managed (AY6N)	(24,680)	(29,773)	(243)		40,502	10,146	183			
MLP Pool (AYWK)	(311,633)	(375,859)	(3,076)		511,336	128,099	2,306			
Private Infrastructure (AYZK)										
Public Infrastructure (AYMK)	(111,331)	(134,285)	(1,103)		182,685	45,766	824			
Absolute Return										
Absolute Return Pool (AYTC)	(594,536)	(717,058)	(5,868)		975,528	244,386	4,399			
Fixed Income										
Taxable Municipal Bond Pool (AYZC)	(155,488)	(187,462)	(1,536)	266	254,883	63,846	1,149			
US Treasury Fixed Income Pool (AY1A)	(854,160)	(1,056,199)	(8,362)	(22,894)	1,422,782	356,995	6,411			
Mondrian Inv. Partners Inc (AY63)	(265,032)	(321,013)	(2,600)	(5,184)	439,687	110,277	1,981			
High Yield Pool (AYPK)	(400,068)	(483,058)	(3,943)	(1,988)	658,288	164,961	2,968			
Lazard Emerging Income (AY5M)	(108,856)	(131,239)	(1,075)	186	178,440	44,697	805			
Short-term Fixed Income										
State of AK Short Term Pool (AY70)	15,890,342	18,122,542	168,648	75,754	(25,346,637)	(6,475,604)	(113,089)			

5/1/2014

Rebalancing Trades (Final)

	DC Medical		DC Health Reimbursement		DC OD&D		P&F	
	PER	TR	PER	TR	PER	TR	PER	TR
	AYX2	AYX3	AYX2	AYX3	AY6G	AY6H	AY6I	
Broad Domestic Equity								
Large Cap Pool (AYQK)	58,688	13,765	378,901	66,535	20,130	2,777	13,246	
Small Cap Pool (AYQC)	11,867	2,783	76,615	13,454	4,071	562	2,678	
Alternative Equity Strategies								
Advent Capital Convertible Bond (AY32)	1,705	400	11,006	1,933	584	80	385	
Alternative Equity Strategies Pool (AYYK)	6,747	1,583	43,560	7,648	2,315	319	1,523	
Global Equity Ex-US								
International Equity Pool (AYRC)	48,643	11,415	314,017	55,165	16,686	2,303	10,977	
International Equity - Small Cap Pool (AYRK)	3,833	900	24,744	4,346	1,315	181	865	
Emerging Markets Pool (AYSC)	6,918	1,623	44,661	7,845	2,373	328	1,561	
Private Equity								
Private Equity Pool (AYSK)	20,208	4,739	130,471	22,908	6,932	956	4,561	
Real Assets								
Real Estate Pool (AYVK)	22,443	6,376	138,350	29,071	7,967	1,478	4,772	
JP Morgan Real Estate (AY7A)								
REIT Holdings (AY9H)	4,189	983	27,045	4,749	1,437	198	946	
Farmhand Pool (AYTK)	8,899	2,087	57,460	10,088	3,053	421	2,008	
Timber Pool (AYUK)	3,610	847	23,310	4,092	1,238	171	814	
Energy Pool (AYVC)	1,242	291	8,022	1,409	426	59	281	
TIPS Internally Managed (AY6N)	409	97	2,644	464	140	19	92	
MLP Pool (AYWK)	5,172	1,213	33,392	5,863	1,774	245	1,168	
Private Infrastructure (AYZK)								
Public Infrastructure (AYMK)	1,848	433	11,950	2,094	634	88	417	
Absolute Return								
Absolute Return Pool (AYTC)	9,867	2,314	63,705	11,185	3,384	467	2,227	
Fixed Income								
Taxable Municipal Bond Pool (AYZC)	2,578	604	16,648	2,923	885	122	582	
US Treasury Fixed Income Pool (AY1A)	14,345	3,369	92,585	16,278	4,922	681	3,237	
Mondrian Inv. Partners Inc (AY63)	4,436	1,042	28,639	5,094	1,522	210	1,001	
High Yield Pool (AYPK)	6,654	1,561	42,961	7,545	2,282	315	1,502	
Lazard Emerging Income (AY5M)	1,805	424	11,655	2,046	619	85	408	
Short-term Fixed Income								
State of AK Short Term Pool (AY70)	(246,106)	(58,849)	(1,582,321)	(282,675)	(84,689)	(12,065)	(55,251)	



5/22/2014

Rebalancing Trades (Final)

Rebalancing Trades (Final)	Pension			Health Care			JRS
	PERS	TRS	MEI	PERS	TRS	JRS	
	AY21	AY22	AY23	AY24	AYW2	AYW3	AYW4
Broad Domestic Equity							
Large Cap Pool (AYQK)	1,937,172	925,797	46,973	22,031	(2,628,830)	(899,047)	(2,534)
Small Cap Pool (AYQC)	374,814	179,022	9,145	29,176	(529,103)	(180,819)	(533)
Alternative Equity Strategies							
Advent Capital Convertible Bond (AY52)	77,114	36,857	1,869		(103,927)	(35,547)	(100)
Alternative Equity Strategies Pool (AYYK)	266,938	127,589	6,463		(359,753)	(123,050)	(344)
Global Equity Ex-US							
International Equity Pool (AYRC)	1,625,780	777,306	39,247		(2,143,307)	(733,406)	(1,996)
International Equity - Small Cap Pool (AYRK)	125,141	59,793	3,038	4,854	(172,639)	(59,024)	(169)
Emerging Markets Pool (AYSC)	238,471	113,946	5,794	9,249	(328,987)	(112,478)	(323)
Private Equity							
Private Equity Pool (AYSK)	674,972	322,611	16,349		(909,663)	(311,141)	(870)
Real Assets							
Real Estate Pool (AYYK)	367,490	175,462	9,000		(536,091)	(186,306)	-
JP Morgan Real Estate (AY7A)	532	(1,467)	935				
REIT Holdings (AY9H)	142,162	67,948	3,444		(191,593)	(65,533)	(183)
Farmland Pool (AYTK)	298,009	142,438	7,221		(401,632)	(137,374)	(384)
Timber Pool (AYUK)	120,893	57,784	2,931		(162,932)	(55,730)	(156)
Energy Pool (AYVC)	41,385	19,779	1,009		(55,778)	(19,078)	(54)
TIPS Internally Managed (AY6M)	13,883	6,636	336		(18,713)	(6,400)	(18)
MLP Pool (AYWK)	179,052	85,583	4,337		(241,309)	(82,538)	(231)
Private Infrastructure (AYZK)	-	-	-		-	-	-
Public Infrastructure (AYMK)	62,805	30,015	1,525		(84,642)	(28,951)	(81)
Absolute Return							
Absolute Return Pool (AYTC)	328,787	157,145	7,964		(443,107)	(151,560)	(423)
Fixed Income							
Taxable Municipal Bond Pool (AYZC)	87,507	41,823	2,120	(119)	(117,835)	(40,305)	(112)
US Treasury Fixed Income Pool (AY1A)	497,195	237,813	11,951	(40,787)	(636,569)	(217,949)	(571)
Mondrian Inv. Partners Inc (AY63)	155,033	74,157	3,724	(13,786)	(197,615)	(67,665)	(176)
High Yield Pool (AYPK)	226,213	108,143	5,467	(5,682)	(300,199)	(102,710)	(282)
Lazard Emerging Income (AY5M)	61,051	29,179	1,479	(83)	(82,210)	(28,119)	(79)
Short-term Fixed Income							
State of AK Short Term Pool (AY70)	(7,902,399)	(3,775,359)	(192,321)	53,293	10,646,434	3,644,730	9,619

5/22/2014

Rebalancing Trades (Final)

5/22/2014		DC Medical		DC Health Reimbursement		DC OD&D		P&F	
Rebalancing Trades (Final)		PERS	TR5	PERS	TR5	PERS	TR5	PERS	TR5
	AYX2	AYX3		AYY2	AYY3	AY6G	AY6H	AY6I	
Broad Domestic Equity									
Large Cap Pool (AYQK)	46,452	22,994	354,210	148,794	16,217	199	9,572		
Small Cap Pool (AYQC)	9,173	4,544	70,020	29,433	3,201	36	1,891		
Alternative Equity Strategies									
Advent Capital Convertible Bond (AY52)	1,842	912	14,048	5,900	644	8	380		
Alternative Equity Strategies Pool (AYYK)	6,378	3,157	48,629	20,425	2,226	28	1,314		
Global Equity Ex-US									
International Equity Pool (AYRC)	38,414	19,006	292,702	122,896	13,415	176	7,913		
International Equity - Small Cap Pool (AYRK)	3,026	1,498	23,087	9,701	1,057	13	624		
Emerging Markets Pool (AYSC)	5,767	2,856	43,994	18,486	2,014	23	1,188		
Private Equity									
Private Equity Pool (AYSK)	16,128	7,983	122,960	51,646	5,631	70	3,324		
Real Assets									
Real Estate Pool (AYVK)	13,437	6,585	100,882	41,938	4,717	135	2,751		
JP Morgan Real Estate (AY7A)									
REIT Holdings (AY9H)	3,397	1,681	25,898	10,878	1,186	15	700		
Farmiland Pool (AYTK)	7,121	3,524	54,289	22,803	2,486	31	1,468		
Timber Pool (AYUK)	2,889	1,430	22,024	9,251	1,008	12	596		
Energy Pool (AYVC)	989	489	7,540	3,166	345	4	204		
TIPS Internally Managed (AY6N)	332	164	2,530	1,063	116	2	69		
MLP Pool (AYWK)	4,278	2,117	32,618	13,701	1,493	18	881		
Private Infrastructure (AYZK)	-	-	-	-	-	-	-		
Public Infrastructure (AYMK)	1,500	743	11,441	4,806	524	6	309		
Absolute Return									
Absolute Return Pool (AYTC)	7,856	3,888	59,896	25,158	2,743	34	1,619		
Fixed Income									
Taxable Municipal Bond Pool (AYZC)	2,090	1,035	15,934	6,692	729	10	431		
US Treasury Fixed Income Pool (AY1A)	11,576	5,725	88,143	36,990	4,043	56	2,384		
Mondrian Inv. Partners Inc (AY63)	3,602	1,781	27,421	11,506	1,258	18	742		
High Yield Pool (AYPK)	5,363	2,653	40,870	17,162	1,873	24	1,105		
Lazard Emerging Income (AY5M)	1,458	721	11,117	4,670	509	7	300		
Short-term Fixed Income									
State of AK Short Term Pool (AY70)	(193,068)	(95,486)	(1,470,253)	(617,065)	(67,435)	(925)	(39,765)		



Short-term Fixed Income  
State of AK Short Term Pool (AY70)

9,573,820.16 14,138,051.11 116,258.15 (113,164.05) (17,539,121.82) (3,885,603.15) (83,201.73)  
(0.00) (0.00) (0.00) (0.00) (0.00) (0.00) (0.00)

Rebalancing Trades (Final)	Pension				Health Care				JRS
	AY21	AY22	TR5	AY23	AY24	AYW2	AYW3	AYW4	
Broad Domestic Equity									
Large Cap Pool (AYQK)	(2,594,394)	(3,732,033)	(3,732,033)	(34,937)	316,111	4,471,043	1,014,834	20,858	
Small Cap Pool (AYQC)	(547,451)	(787,508)	(787,508)	(7,373)	66,704	943,448	214,143	4,402	
Alternative Equity Strategies									
Advent Capital Convertible Bond (AY52)	(102,843)	(152,501)	(152,501)	(1,367)		189,816	43,508	882	
Alternative Equity Strategies Pool (AYYK)	(362,529)	(537,588)	(537,588)	(4,805)		669,113	153,369	3,108	
Global Equity Ex-US									
International Equity Pool (AYRC)	(2,100,122)	(3,180,665)	(3,180,665)	(27,518)	(182,325)	4,059,226	936,186	18,806	
International Equity - Small Cap Pool (AYRK)	(167,615)	(253,854)	(253,854)	(2,196)	(14,552)	323,974	74,719	1,501	
Emerging Markets Pool (AYSC)	(312,518)	(473,314)	(473,314)	(4,094)	(27,131)	604,050	139,313	2,798	
Frontier Market Pool (AYMC)	2,477,330	2,477,842	2,477,842	53,488	(281,501)	(3,621,292)	(1,102,443)	(13,878)	
Private Equity									
Private Equity Pool (AYSK)	(917,279)	(1,360,223)	(1,360,223)	(12,158)		1,693,009	388,059	7,865	
Real Assets									
Real Estate Pool (AYYK)	(2,232,859)	(1,583,779)	(1,583,779)	(37,875)		2,833,675	799,791	11,835	
JP Morgan Real Estate (AY7A)	129,909	(133,193)	(133,193)	3,284					
REIT Holdings (AY9H)	(191,969)	(284,669)	(284,669)	(2,544)		354,314	81,214	1,646	
Farmland Pool (AYTK)	(395,285)	(586,167)	(586,167)	(5,241)		729,577	167,228	3,389	
Timber Pool (AYUK)	(160,955)	(238,672)	(238,672)	(2,133)		297,067	68,092	1,380	
Energy Pool (AYVC)	(55,796)	(82,740)	(82,740)	(740)		102,982	23,605	479	
TIPS Internally Managed (AY6N)	(18,337)	(27,188)	(27,188)	(243)		33,842	7,757	157	
MLP Pool (AYWK)	(243,724)	(361,418)	(361,418)	(3,230)		449,838	103,109	2,089	
Private Infrastructure (AYZK)									
Public Infrastructure (AYMK)	(84,554)	(125,379)	(125,379)	(1,118)		156,054	35,770	725	
Absolute Return									
Absolute Return Pool (AYTC)	(431,814)	(640,332)	(640,332)	(5,723)		796,993	182,681	3,702	
Fixed Income									
Taxable Municipal Bond Pool (AYZC)	(115,763)	(172,137)	(172,137)	(1,533)	(1,305)	214,972	49,315	998	
US Treasury Fixed Income Pool (AY1A)	(753,060)	(1,042,063)	(1,042,063)	(10,339)	204,885	1,184,198	264,961	5,558	
Mondrian Inv. Partners Inc (AY63)	(206,402)	(297,196)	(297,196)	(2,778)	24,363	356,492	80,943	1,663	

Short-term Fixed Income  
State of AK Short Term Pool (AY70)

(165,669.31) (0.00) (117,481.60) (0.00) (1,496,608.40) (0.00) (282,513.63) (0.00) (84,119.09) (0.00) (9,275.55) (0.00) (51,371.08) (0.00)

6/5/2014		Rebalancing Trades (Final)		DC Medical		DC Health Reimbursement		DC OD&D		P&F	
		AYX2	AYX3	TRIS	AYY2	AYY3	TRIS	AY6G	AY6H	TRIS	AY6I
Broad Domestic Equity											
Large Cap Pool (AYQK)		41,295		28,077	363,973		69,589	20,438		2,361	12,785
Small Cap Pool (AYQC)		8,714		5,925	76,803		14,684	4,313		498	2,698
Alternative Equity Strategies											
Advent Capital Convertible Bond (AY52)		1,731		1,172	15,197		2,917	854		100	534
Alternative Equity Strategies Pool (AYYK)		6,101		4,131	53,571		10,283	3,013		352	1,881
Global Equity Ex-US											
International Equity Pool (AYRC)		36,707		24,793	321,527		61,867	13,100		2,130	11,288
International Equity - Small Cap Pool (AYRK)		2,930		1,979	25,661		4,938	1,444		170	901
Emerging Markets Pool (AYSC)		5,463		3,689	47,847		9,207	2,693		317	1,680
Frontier Market Pool (AYMC)		(19,986)		(6,685)	(114,617)		(30,450)	(6,932)		(1,737)	(5,140)
Private Equity											
Private Equity Pool (AYSK)		15,437		10,454	135,547		26,016	7,623		891	4,759
Real Assets											
Real Estate Pool (AYYK)											
JP Morgan Real Estate (AY7A)		17,890		10,418	136,435		30,238	8,149		1,360	4,722
REIT Holdings (AY9H)		3,230		2,188	28,368		5,444	1,596		186	996
Farmland Pool (AYTK)		6,652		4,505	58,412		11,211	3,285		383	2,051
Timber Pool (AYUK)		2,709		1,834	23,784		4,565	1,338		156	835
Energy Pool (AYYC)		939		636	8,245		1,583	464		54	289
TIPS Internally Managed (AY6N)		309		209	2,709		520	152		18	95
MLP Pool (AYWK)		4,102		2,778	36,016		6,912	2,026		237	1,265
Private Infrastructure (AYZK)											
Public Infrastructure (AYMK)		1,423		964	12,494		2,398	703		82	439
Absolute Return											
Absolute Return Pool (AYTC)		7,267		4,921	63,809		12,247	3,589		419	2,241
Fixed Income											
Taxable Municipal Bond Pool (AYZC)		1,958		1,325	17,187		3,300	967		113	603
US Treasury Fixed Income Pool (AY1A)		11,140		7,617	98,705		18,771	5,531		628	3,468
Mondrian Inv. Partners Inc (AY63)		3,291		2,237	29,005		5,546	1,629		188	1,019

## Alaska Retirement Management Board Manager Watch List - June 2014

Manager & Mandate	Reason for Watch	Board Approved	Actions Taken by Staff/Expected Final Disposition
<b>Brandes Investment Partners</b>	Performance DB Mandate	Yes 9/20/12	Formal notification. Continue Monitoring
<b>Coventry Real Estate</b>	Performance	Yes 4/23/2009	Formal Notification. Reviewed 6/22/12; Continue Monitoring
<b>Lehman Real Estate</b>	Performance	Yes 4/23/2009	Formal Notification. Reviewed 6/22/12; Continue Monitoring
<b>McKinley Capital - large cap and Int'l</b>	Performance	Yes 12/04/09	Formal Notification; reviewed 6/22/12; continue monitoring
<b>RCM (large cap)</b>	Performance	Yes 6/21/12	Formal Notification - Staff Monitoring 12-18 months
<b>Relational Investors</b>	Performance	Yes 9/20/13	Format Notification - Staff Monitoring





THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Revenue**

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

## Memo

To: Gail Schubert, Chair, Alaska Retirement Management Board

From: Gary M. Bader, Chief Investment Officer

Date: April 21, 2014

Re: Investment Memo and notice of intent to commit \$30 million to a direct private equity partnership investment in The Resolute Fund III, L.P.

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The Jordan Company (TJC, Jordan, the firm) is a middle-market private equity investment firm that has operated a series of successful institutional private equity funds since the mid-1980's. TJC is currently raising The Resolute Fund III (Resolute III) and staff has concluded that an investment in the fund is an opportunity to increase expected returns and to add diversification to both the private equity portfolio and the overall pension fund. In accordance with delegated authority, I intend to commit up to \$30 million to The Resolute Fund III, L.P. on April 30, 2014.

### **Compelling aspects of The Resolute Fund III investment opportunity:**

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Value-Orientation and  
Operational Improvement

- TJC targets control investments in well-managed, profitable middle market companies and looks to acquire them at low relative valuations using modest leverage.
- The firm increases value in partnership with management through add-on acquisitions and operational improvements.
- Jordan was well ahead of the industry in creating an internal operations group in 1988 to add value to their portfolio companies. The group has grown to 20% of total TJC staff.

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Experienced, Long  
Standing Team with  
differentiated Sourcing

- The managing partners have a long average tenure at TJC of 27 years. Other senior investment professionals have been with the firm an average of 17 years.
  - TJC has a staff of 60 in three offices in New York, Chicago, and Shanghai.
  - The team has a well-developed network of sourcing relationships that have resulted in 87% of deal flow coming outside of traditional Wall Street sources.
-



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## Strong Performance and Low Loss Rate

- TJC's three mature funds have invested \$2.2 billion and have a total value to \$6.7 billion for an average net IRR of 25.4% and an average net multiple of 2.4x.
  - TJC funds are top quartile on a multiple basis since 1987 and are largely top quartile on a Net IRR basis as well.
  - TJC uses low leverage and partially as a result, has a low loss ratio of 1.1%.
- 

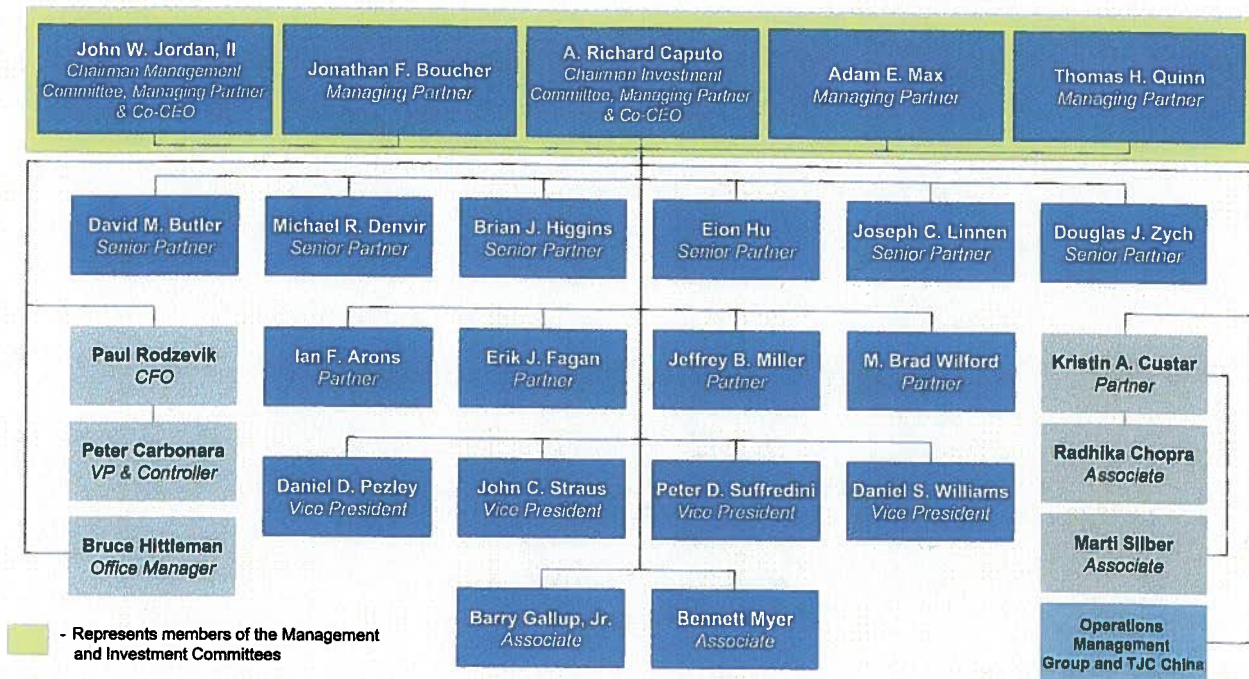
## Firm Summary

The Jordan Company was founded in 1982 by John "Jay" Jordan and first raised institutional capital in 1986.



TJC has invested \$5.2 billion in capital and has grown to include a staff of 60 people in three offices in New York, Chicago, and Shanghai. TJC was early in recognizing the value of having an internal operations management group dedicated to the operational improvement of its portfolio companies. The group is now 20% of total staff and is integral to the investment and improvement process for most portfolio companies.

The Jordan Company is led by a management and investment committee that includes the top five managing directors. Since 2011, the firm has had a management transition in process from founder John Jordan to long time Managing Director Richard Caputo. At the start of 2013, TJC officially moved to a Co-CEO structure, with Mr. Jordan focusing on fundraising and strategic issues and Mr. Caputo focusing on running the firm and the investment committee. TJC tends to hire investment professionals out of business school and has extremely low turnover. As the result, the firm's professionals have been working together for a long period of time. The five managing partners have an average tenure at TJC of 27 years and the other senior investment professionals have been with the firm an average of 17 years.



ARMB staff had the opportunity to meet one-on-one with all the Managing Partners and most of the Senior Partners. Staff was impressed with the investment professionals and satisfied that the management transition is well-accepted internally. Staff also explored compensation and carry allocation and is comfortable that the economics of the firm are deployed broadly enough to incentivize the younger generation.

### Investment Strategy and Approach

The Jordan Company targets control investments in well-managed, consistently profitable, middle market companies where TJC believes it can partner with management to increase value. TJC sources the large majority of its investments through a network of regional business brokers, agents, and investment banks and away from the Wall Street auction process. In addition to the investment professionals, the firm has two full time business development professionals focused on maintaining and expanding the firm's deal sourcing network.

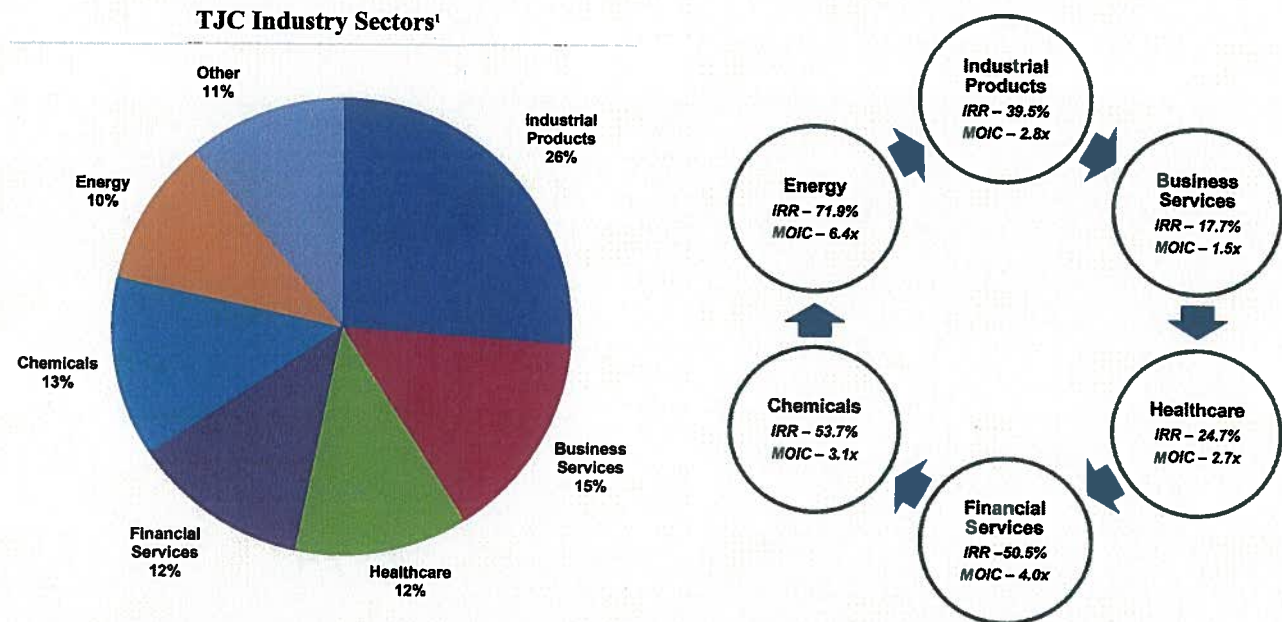
TJC's extensive operating experience allows it to distinguish itself as a value-added partner when compared with more financially oriented middle market investors. Often, the firm is able develop a strategic plan to transition a company into a market leader prior to closing a transaction. Staff had an opportunity to examine the due diligence work TJC does prior to investing in a company and found the work to be high quality and included a thorough examination of a company's operations, finances, management, industry, and competition.

TJC looks to acquire businesses at low relative valuations using modest leverage. The firm believes the most attractive opportunities continue to be middle market companies with purchase prices ranging from \$100 million to over \$1.5 billion. Most of TJC's investments are based in North America. Weighted net leverage in Resolute I and II was 3.4x EBITDA, compared with 5x+ for most middle market funds. Neither fund has had a covenant or payment default for any



portfolio company. TJC's investment discipline and focus on risk mitigation, like low leverage, have resulted in a loss ratio of 1.2% on realized investments.

TJC does not concentrate on specific industry verticals, preferring to maintain the flexibility to invest with the most promising opportunities. Over time, TJC has successfully invested across industries and has built up a significant institutional knowledge base.



Once TJC purchases a company, the firm focuses on increasing value in partnership with management. TJC is an active owner and builds value through strategic acquisitions, operations improvement, upgrading management as needed, building a strong board of directors, providing access to capital markets, and refining business models and strategic plans as necessary.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

April 25, 2014

David Mabry  
Managing Director  
Crestline Investors, Inc  
201 Main Street, Suite 1900  
Fort Worth, Texas 76102

Dear David:

RE: Redemption from Blue Glacier Fund, L.P.

On Tuesday April 29, 2014, please redeem and wire transfer **\$10,000,000.00** to the following account at State Street Bank:

State Street Bank  
ABA Number: 011-000-028  
Account Number: 00132191  
Account Name: State of Alaska – AY9F  
Attn: Mary Ellen MacDonald, 617-664-9416

Sincerely,

A handwritten signature in blue ink that reads "Gary M. Bader".

Gary M. Bader  
Chief Investment Officer

GMB/scv Handwritten initials "scv" in blue ink.

cc: Scott Jones, Comptroller  
Bob Mitchell, Investment Officer  
Zachary Hanna, Investment Officer  
Nancy Fong, Bank of New York  
Mary Ellen MacDonald, State Street Bank.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Revenue**

**ALASKA RETIREMENT MANAGEMENT BOARD**

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 9, 2014

Mary Ellen MacDonald  
State Street Global Services  
IIS Public Funds  
1200 Crown Colony Drive, CC5  
Quincy, MA 02169

Dear Ms. MacDonald:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Wednesday, May 14, 2014. Please process the following cash transfer:

Lazard Domestic (AY47)	< \$69,293,502 >
Lazard International (AY58)	< \$80,706,498 >
Advent Convertible Bonds (AY52)	\$50,000,000
Analytic/SSgA Index (AY4W)	\$96,500,000
Analytic Buy-Write Account (AY4X)	\$3,500,000

Furthermore please take this letter as your authorization to wire the following amounts listed to the corresponding Morgan Stanley Prime Broker accounts per the wire instructions below:

Wire out on behalf of AY4W	
Wire out from AY58	\$80,706,498
Wire out from AY47	\$15,793,502
Total	96,500,000.00
Wire out on behalf of AY4X	
Wire out from AY47	\$3,500,000
Total	\$3,500,000.00

The wire instructions for the Analytic/SSgA Index (AY4W) are as follows:

Citibank, N.A. New York

ABA# 021000089

Account – Morgan Stanley & Co., NY

State of Alaska Retirement and Benefits Plans c/o SSgA

38890774

038CDCJN0



The wire instructions for the Analytic Buy-Write Account (AY4X) are as follows:

Citibank, N.A. New York

ABA# 021000089

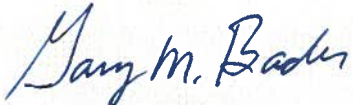
Account – Morgan Stanley & Co., NY

38890774

State of Alaska Retirement and Benefits Plans c/o Analytic 038CDCNT2

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,



Gary M. Bader

Chief Investment Officer

cc: Gail Schubert, ARMB Chair  
Angela Rodell, Commissioner  
Pam Leary, Director  
Scott Jones, State Comptroller  
James McKnight, Senior Investment Compliance Officer  
Bob Mitchell, State Investment Officer  
Shane Carson, State Investment Officer

GMB/smh



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 9, 2014

David Mabry  
Managing Director  
Crestline Investors, Inc  
201 Main Street, Suite 1900  
Fort Worth, Texas 76102

Dear David:

RE: Redemption from Blue Glacier Fund, L.P.

On Thursday May15, 2014, please redeem and wire transfer **\$9,800,000.00** to the following account at State Street Bank:

State Street Bank  
ABA Number: 011-000-028  
Account Number: 00132191  
Account Name: State of Alaska – AY9F  
Attn: Mary Ellen MacDonald, 617-664-9416

Sincerely,

A handwritten signature in blue ink that reads "Gary M. Bader".

Gary M. Bader  
Chief Investment Officer

GMB/scv

Handwritten initials "scv" in blue ink.

cc: Scott Jones, Comptroller  
Bob Mitchell, Investment Officer  
Zachary Hanna, Investment Officer  
Nancy Fong, Bank of New York  
Mary Ellen MacDonald, State Street Bank.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 14, 2014

Mary Ellen MacDonald  
Client Service Officer  
Lafayette Corporate Center  
2 Avenue de Lafayette  
Boston, MA 02111

Dear Mary Ellen:

RE: Capital Contribution Blue Glacier Fund, L.P.

This letter is your authorization to transfer **\$5,768,715.00** on **Monday May 19, 2014** from account AY70 to account AY9F using the currently applicable absolute return ratios and then wire transfer the full amount as soon as possible using the following instructions:

Bank Name: The Bank of New York Mellon  
ABA Number: 021-000-018  
Account Name: Blue Glacier Fund, L.P. (Class B)  
Account Number: 890-1180-254  
Reference: Investor – Capital Contribution – May 19, 2014  
Reference Details: Alaska Retirement Management Board on behalf of the State of Alaska Retirement and Benefits Plans Trust

This transfer is a new capital contribution under the subscription agreement dated October 22, 2004. Please provide the Fed Confirmation number for this transaction to Sarah Baulch of Bank of New York Mellon via e-mail at [sarah.baulch@bnymellon.com](mailto:sarah.baulch@bnymellon.com).

Sincerely,

A handwritten signature in blue ink that reads "Gary M. Bader".

Gary M. Bader  
Chief Investment Officer

GMB/scv

cc: Scott Jones, Comptroller  
Bob Mitchell, Investment Officer  
Zachary Hanna, Investment Officer  
Sarah Baulch, Bank of New York Mellon  
Travis Keith, Crestline Investors, Inc.





THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11th Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 15, 2014

Mary Ellen MacDonald  
State Street Global Services  
IIS Public Funds  
1200 Crown Colony Drive, CC5  
Quincy, MA 02169

Dear Ms. MacDonald:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Friday, May 30, 2014. Please process the following cash transfer using currently applicable ratios specific to each account:

Short Term Pool (AY70)	< \$75,000,000 >
U.S. Treasury Fund (AY1A)	< \$25,000,000 >
Everest Frontier Markets (AYLA)	\$100,000,000

Furthermore, please also take this letter as your authorization to wire the amount listed above from account AYLA to the corresponding account per the wire instructions below.

The wire instructions for Everest Capital Frontier Markets (AYLA) are as follows:

JP Morgan Chase

ABA Number: 021-000-021

Account Name: Everest Capital Frontier Markets Equity L.P.

Account Number: 958 174 260

Alaska Retirement Management Board as trustee for the State of Alaska Retirement and Benefit Plans

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

A handwritten signature in blue ink that reads "Gary M. Bader".

Gary M. Bader  
Chief Investment Officer

cc: Gail Schubert, ARMB Chair  
Angela Rodell, Commissioner  
Pam Leary, Director  
Scott Jones, State Comptroller  
James McKnight, Senior Investment Compliance Officer  
Bob Mitchell, State Investment Officer

GMB/sjc



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Revenue**

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 23, 2014

Mary Ellen MacDonald  
State Street Global Services  
IIS Public Funds  
1200 Crown Colony Drive, CC2  
Quincy, MA 02169

Dear Ms. MacDonald:

The Alaska Retirement Management Board (ARMB) requests the following changes to be made on Friday, May 30, 2014. Please process the following cash transfer:

SSgA Russell 1000 Value (AY4M)	< \$200,000,000 >
SSgA Russell 1000 Growth (AY4L)	< \$100,000,000 >
Short Term Pool (AY70)	\$200,000,000
U.S. Treasury Fund (AY1A)	\$100,000,000

If you have any questions, please do not hesitate to contact me at (907) 465-4399.

Sincerely,

  
FOR Gary M. Bader  
Chief Investment Officer

cc: Gail Schubert, ARMB Chair  
Angela Rodell, Commissioner  
Pam Leary, Director  
Scott Jones, State Comptroller  
James McKnight, Senior Investment Compliance Officer  
Bob Mitchell, State Investment Officer  
Shane Carson, State Investment Officer

GMB/smh





THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

May 30, 2014

Mary Ellen MacDonald  
Client Service Officer  
Lafayette Corporate Center  
2 Avenue de Lafayette  
Boston, MA 02111

Dear Mary Ellen:

RE: Capital Contribution Blue Glacier Fund, L.P.

This letter is your authorization to transfer **\$1,997,830.00** on **Thursday June 5, 2014** from account AY70 to account AY9F using the currently applicable absolute return ratios and then wire transfer the full amount as soon as possible using the following instructions:

Bank Name: The Bank of New York Mellon  
ABA Number: 021-000-018  
Account Name: Blue Glacier Fund, L.P. (Class B)  
Account Number: 890-1180-254  
Reference: Investor – Capital Contribution – June 5, 2014  
Reference Details: Alaska Retirement Management Board on behalf of the State of Alaska Retirement and Benefits Plans Trust

This transfer is a new capital contribution under the subscription agreement dated October 22, 2004. Please provide the Fed Confirmation number for this transaction to Sarah Baulch of Bank of New York Mellon via e-mail at [sarah.baulch@bnymellon.com](mailto:sarah.baulch@bnymellon.com).

Sincerely,

A handwritten signature in blue ink that reads "Gary M. Bader".

Gary M. Bader  
Chief Investment Officer

GMB/scv *W*

cc: Scott Jones, Comptroller  
Bob Mitchell, Investment Officer  
Zachary Hanna, Investment Officer  
Sarah Baulch, Bank of New York Mellon  
Travis Keith, Crestline Investors, Inc.



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

333 Willoughby Avenue, 11<sup>th</sup> Floor  
PO Box 110405  
Juneau, Alaska 99811-0405  
Main: 907.465.3749  
Fax: 907.465.2389

Letter of Amendment

June 10, 2014

Crestline Management, L.P.  
201 Main Street, Suite 1900  
Fort Worth, Texas 76102

Dear Crestline:

Reference is hereby made to that certain Amended and Restated Limited Partnership Agreement (the "*LPA*"), dated as of May 2, 2013, of Blue Glacier Fund, L.P. ("*BGF*"); capitalized terms used but not defined herein shall have the meanings assigned to such terms in the LPA). Pursuant to this letter of amendment, (the "*Letter of Amendment*"), Crestline Management, L.P. (the "*Investment Manager*"), Crestline Associates, L.P. (the "*General Partner*" and together with the Investment Manager "*Crestline*") and the Alaska Retirement Management Board (the "*Limited Partner*") acknowledge and agree that notwithstanding the limitation set forth in Section 6.6(d) of the LPA, Crestline may cause the Partnership to invest more than \$264,650,496 (which represents the value of the Class A Assets as reflected on the Partnership's books and records as of the Amended Date) in Class B Assets with the consent of the Limited Partner's Chief Investment Officer (which consent may be provided via electronic mail).

This Letter of Amendment supersedes all previous oral and written agreements between the parties as to the amount of investment in Class B Assets. In the event any provision of this letter is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provisions hereof.

If the above correctly reflects our understanding and agreement with respect to the foregoing matters, please so confirm by signing and returning the enclosed copy of this Letter of Amendment.

ALASKA RETIREMENT MANAGEMENT BOARD

By:

*Gary M. Bader*  
Name: Gary Bader, Chief Investment Officer

Accepted and agreed as of the date first written above:

CRESTLINE MANAGEMENT, L.P.

By: Crestline Investors, Inc., its general partner

By:

*John Cochran*  
Name: John Cochran, Vice President

**Hanna, Zachary A (DOR)**

---

**From:** Bader, Gary M (DOR)  
**Sent:** Tuesday, June 10, 2014 10:56 AM  
**To:** jcochran@crestlineinc.com  
**Cc:** Hanna, Zachary A (DOR)  
**Subject:** Increase investment in Class B Assets.

Hello John,

In accordance with the Alaska Retirement Management Board's (ARMB) amended contract with Crestline, I authorize an increase in the level of commitments/investments Crestline can make in Class B Assets from \$264.7 million to \$320 million. These commitments/investments can include co-investments as allowed by the ARMB Absolute Return Policies and Procedures.

Regards,

Gary M. Bader

Chief Investment Officer  
Alaska Retirement Management Board

**ALASKA RETIREMENT MANAGEMENT BOARD  
FINANCIAL REPORT**

As of April 30, 2014

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**Schedule of Investment Income and Changes in Invested Assets by Fund**  
**For the Ten Months Ending April 30, 2014**

	Beginning Invested Assets	Investment Income <sup>(1)</sup>	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income <sup>(2)</sup>
<b><u>Public Employees' Retirement System (PERS)</u></b>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	\$ 6,682,601,125	\$ 968,638,428	\$ (128,429,584)	\$ 7,522,809,969	12.57%	14.64%
Retirement Health Care Trust	5,869,023,791	848,143,693	12,256,464	6,729,423,948	14.66%	14.44%
Total Defined Benefit Plans	12,551,624,916	1,816,782,121	(116,173,120)	14,252,233,917	13.55%	14.54%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	344,683,147	58,579,912	60,118,593	463,381,652	34.44%	15.63%
Health Reimbursement Arrangement	107,570,946	16,537,107	21,800,847	145,908,900	35.64%	13.96%
Retiree Medical Plan	20,530,927	3,109,852	3,102,792	26,743,571	30.26%	14.08%
<u>Defined Benefit Occupational Death and Disability:</u>						
Public Employees	8,033,120	1,204,518	1,041,447	10,279,085	27.96%	14.08%
Police and Firefighters	3,497,071	544,238	796,764	4,838,073	38.35%	13.97%
Total Defined Contribution Plans	484,315,211	79,975,627	86,860,443	651,151,281	34.45%	15.15%
<b>Total PERS</b>	<b>13,035,940,127</b>	<b>1,896,757,748</b>	<b>(29,312,677)</b>	<b>14,903,385,198</b>	<b>14.33%</b>	<b>14.57%</b>
<b><u>Teachers' Retirement System (TRS)</u></b>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	3,279,505,294	480,814,669	(77,474,288)	3,682,845,675	12.30%	14.84%
Retirement Health Care Trust	1,883,677,379	276,941,294	31,869,065	2,192,487,738	16.39%	14.58%
Total Defined Benefit Plans	5,163,182,673	757,755,963	(45,605,223)	5,875,333,413	13.79%	14.74%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	153,359,455	25,124,460	18,808,670	197,292,585	28.65%	15.44%
Health Reimbursement Arrangement	34,477,528	5,173,498	5,492,242	45,143,268	30.94%	13.90%
Retiree Medical Plan	8,710,401	1,281,613	828,329	10,820,343	24.22%	14.05%
Defined Benefit Occupational Death and Disability	2,595,310	371,481	42	2,966,833	14.32%	14.31%
Total Defined Contribution Plans	199,142,694	31,951,052	25,129,283	256,223,029	28.66%	15.09%
<b>Total TRS</b>	<b>5,362,325,367</b>	<b>789,707,015</b>	<b>(20,475,940)</b>	<b>6,131,556,442</b>	<b>14.35%</b>	<b>14.76%</b>
<b><u>Judicial Retirement System (JRS)</u></b>						
Defined Benefit Plan Retirement Trust	118,593,014	17,327,808	(441,393)	135,479,429	14.24%	14.64%
Defined Benefit Retirement Health Care Trust	22,670,718	3,215,021	(404,789)	25,480,950	12.40%	14.31%
<b>Total JRS</b>	<b>141,263,732</b>	<b>20,542,829</b>	<b>(846,182)</b>	<b>160,960,379</b>	<b>13.94%</b>	<b>14.59%</b>
<b><u>National Guard/Naval Militia Retirement System (MRS)</u></b>						
Defined Benefit Plan Retirement Trust	34,141,087	3,654,985	(914,313)	36,881,759	8.03%	10.85%
<b><u>Other Participant Directed Plans</u></b>						
Supplemental Annuity Plan	2,916,434,215	314,296,231	(5,280,881)	3,225,449,565	10.60%	10.79%
Deferred Compensation Plan	685,406,547	79,431,462	(2,037,125)	762,800,884	11.29%	11.61%
<b>Total All Funds</b>	<b>22,175,511,075</b>	<b>3,104,390,270</b>	<b>(58,867,118)</b>	<b>25,221,034,227</b>		
Total Non-Participant Directed	18,075,627,711	2,626,958,205	(130,476,375)	20,572,109,541	13.81%	14.59%
Total Participant Directed	4,099,883,364	477,432,065	71,609,257	4,648,924,686	13.39%	11.54%
<b>Total All Funds</b>	<b>\$ 22,175,511,075</b>	<b>\$ 3,104,390,270</b>	<b>\$ (58,867,118)</b>	<b>\$ 25,221,034,227</b>	<b>13.73%</b>	<b>14.02%</b>

Notes:

(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: <http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx>

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**Schedule of Investment Income and Changes in Invested Assets by Fund**  
**For the Month Ended April 30, 2014**

	Beginning Invested Assets	Investment Income <sup>(1)</sup>	Net Contributions (Withdrawals)	Ending Invested Assets	% Change in Invested Assets	% Change due to Investment Income <sup>(2)</sup>
<b><u>Public Employees' Retirement System (PERS)</u></b>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	\$ 7,514,478,115	\$ 34,413,706	\$ (26,081,852)	\$ 7,522,809,969	0.11%	0.46%
Retirement Health Care Trust	6,706,451,428	29,526,252	(6,553,732)	6,729,423,948	0.34%	0.44%
Total Defined Benefit Plans	14,220,929,543	63,939,958	(32,635,584)	14,252,233,917	0.22%	0.45%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	454,301,053	875,544	8,205,055	463,381,652	2.00%	0.19%
Health Reimbursement Arrangement	142,365,852	649,075	2,893,973	145,908,900	2.49%	0.45%
Retiree Medical Plan	26,227,831	118,533	397,207	26,743,571	1.97%	0.45%
<u>Defined Benefit Occupational Death and Disability:</u>						
Public Employees	10,097,823	45,551	135,711	10,279,085	1.80%	0.45%
Police and Firefighters	4,722,377	21,502	94,194	4,838,073	2.45%	0.45%
Total Defined Contribution Plans	637,714,936	1,710,205	11,726,140	651,151,281	2.11%	0.27%
<b>Total PERS</b>	<b>14,858,644,479</b>	<b>65,650,163</b>	<b>(20,909,444)</b>	<b>14,903,385,198</b>	<b>0.30%</b>	<b>0.44%</b>
<b><u>Teachers' Retirement System (TRS)</u></b>						
<u>Defined Benefit Plans:</u>						
Retirement Trust	3,693,415,070	16,836,399	(27,405,794)	3,682,845,675	-0.29%	0.46%
Retirement Health Care Trust	2,188,236,189	9,617,731	(5,366,182)	2,192,487,738	0.19%	0.44%
Total Defined Benefit Plans	5,881,651,259	26,454,130	(32,771,976)	5,875,333,413	-0.11%	0.45%
<u>Defined Contribution Plans:</u>						
Participant Directed Retirement	193,866,370	414,386	3,011,829	197,292,585	1.77%	0.21%
Health Reimbursement Arrangement	44,276,760	201,433	665,075	45,143,268	1.96%	0.45%
Retiree Medical Plan	10,669,807	48,013	102,523	10,820,343	1.41%	0.45%
Defined Benefit Occupational Death and Disability	2,953,788	13,036	9	2,966,833	0.44%	0.44%
Total Defined Contribution Plans	251,766,725	676,868	3,779,436	256,223,029	1.77%	0.27%
<b>Total TRS</b>	<b>6,133,417,984</b>	<b>27,130,998</b>	<b>(28,992,540)</b>	<b>6,131,556,442</b>	<b>-0.03%</b>	<b>0.44%</b>
<b><u>Judicial Retirement System (JRS)</u></b>						
Defined Benefit Plan Retirement Trust	135,343,140	619,893	(483,604)	135,479,429	0.10%	0.46%
Defined Benefit Retirement Health Care Trust	25,368,316	112,027	607	25,480,950	0.44%	0.44%
<b>Total JRS</b>	<b>160,711,456</b>	<b>731,920</b>	<b>(482,997)</b>	<b>160,960,379</b>	<b>0.15%</b>	<b>0.46%</b>
<b><u>National Guard/Naval Militia Retirement System (MRS)</u></b>						
Defined Benefit Plan Retirement Trust	36,946,594	83,097	(147,932)	36,881,759	-0.18%	0.23%
<b><u>Other Participant Directed Plans</u></b>						
Supplemental Annuity Plan	3,212,639,628	12,564,723	245,214	3,225,449,565	0.40%	0.39%
Deferred Compensation Plan	760,460,414	278,928	2,061,542	762,800,884	0.31%	0.04%
<b>Total All Funds</b>	<b>25,162,820,555</b>	<b>106,439,829</b>	<b>(48,226,157)</b>	<b>25,221,034,227</b>		
Total Non-Participant Directed	20,541,553,090	92,306,248	(61,749,797)	20,572,109,541	0.15%	0.45%
Total Participant Directed	4,621,267,465	14,133,581	13,523,640	4,648,924,686	0.60%	0.31%
<b>Total All Funds</b>	<b>\$ 25,162,820,555</b>	<b>\$ 106,439,829</b>	<b>\$ (48,226,157)</b>	<b>\$ 25,221,034,227</b>	<b>0.23%</b>	<b>0.42%</b>

Notes:

(1) Includes interest, dividends, securities lending, expenses, realized and unrealized gains/losses

(2) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates and can be found at: <http://www.revenue.state.ak.us/treasury/programs/programs/other/armb/investmentresults.aspx>



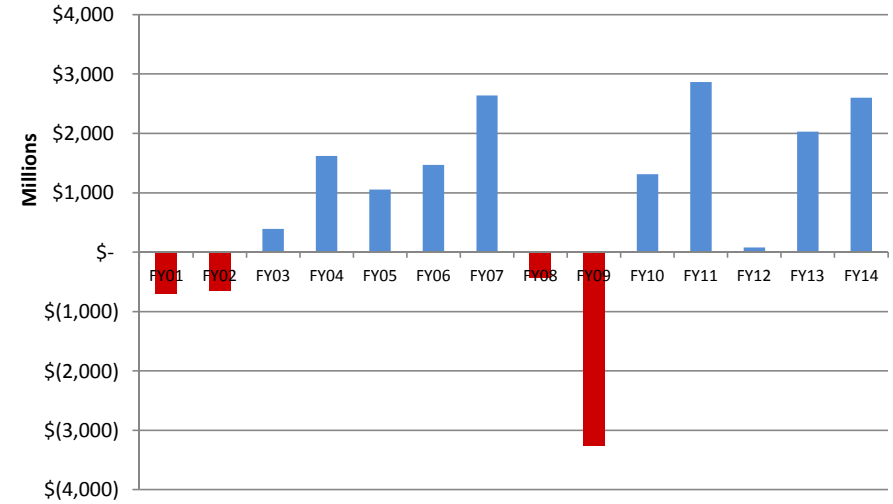
## Total Defined Benefit Assets

As of April 30, 2014

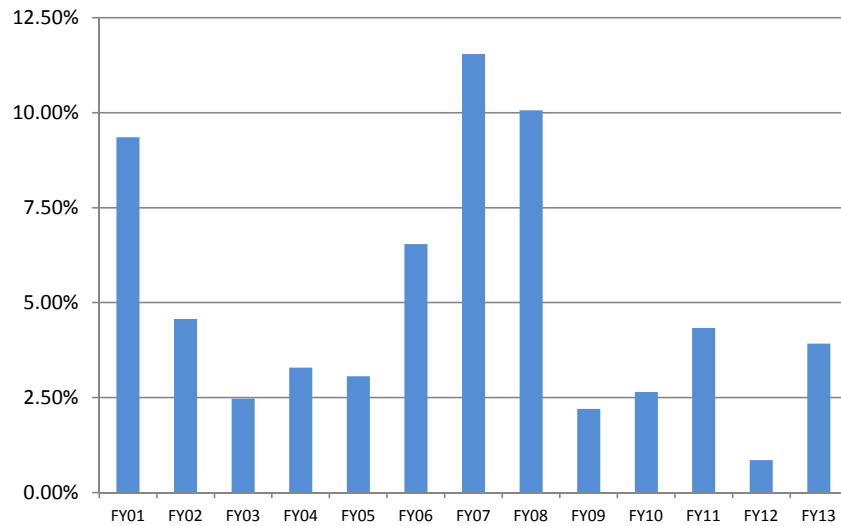
**Totals Assets History**



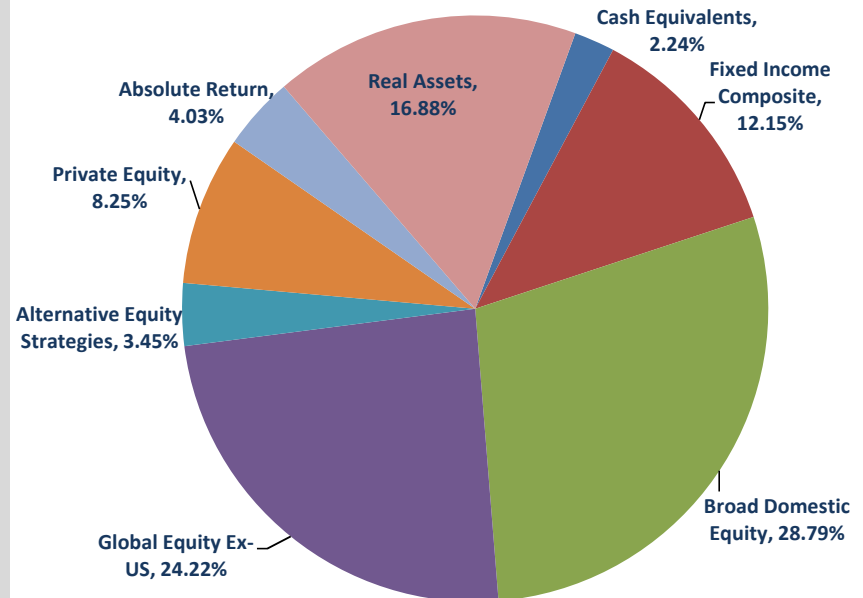
**Income by Fiscal Year**



**5-year Annualized Returns as of Fiscal Year End**

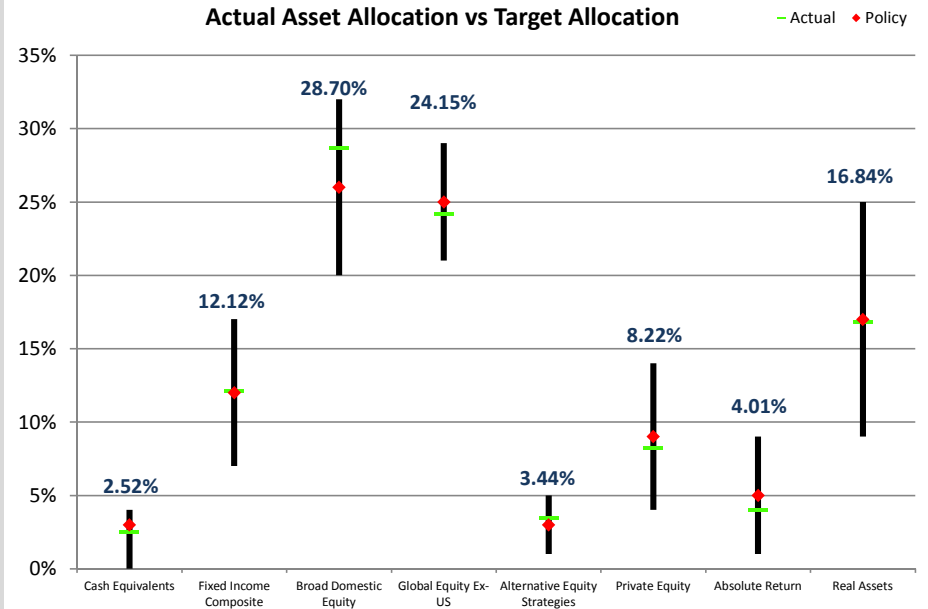
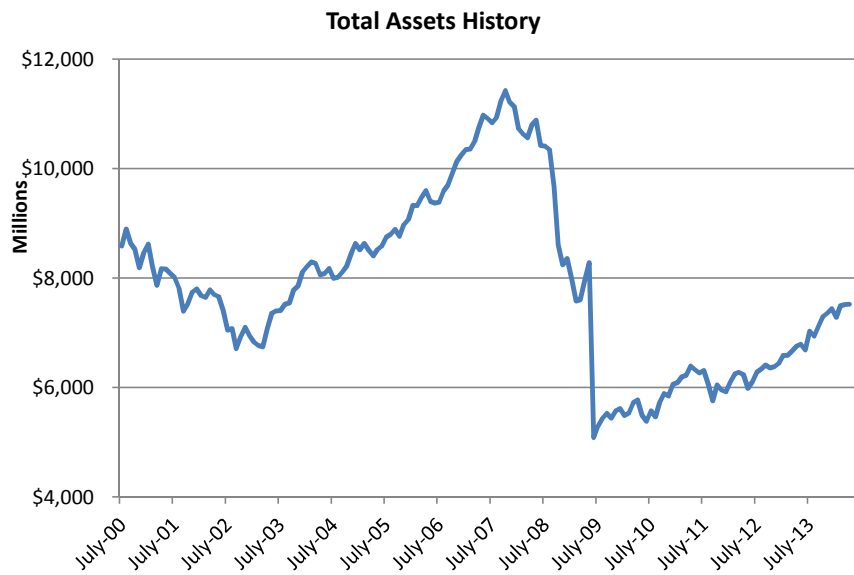
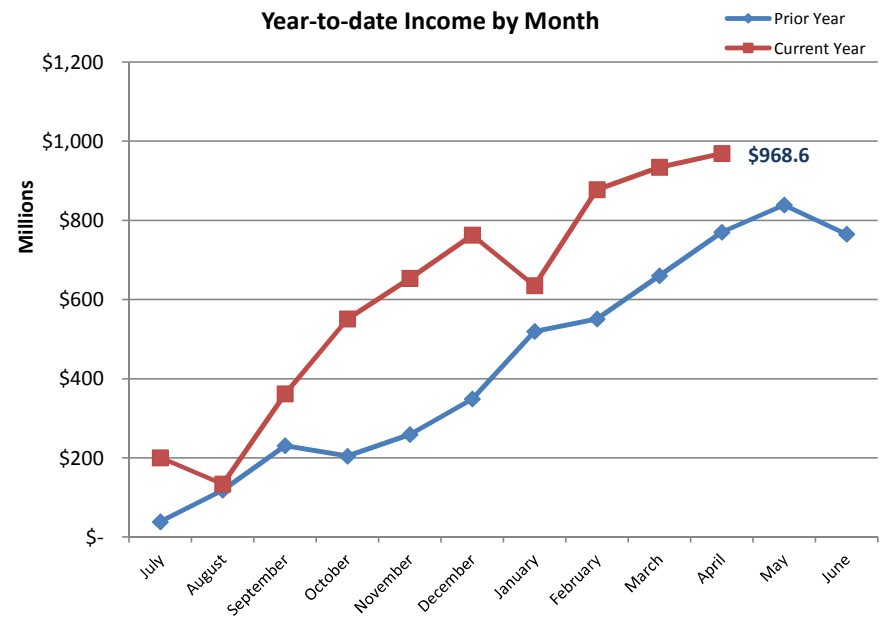
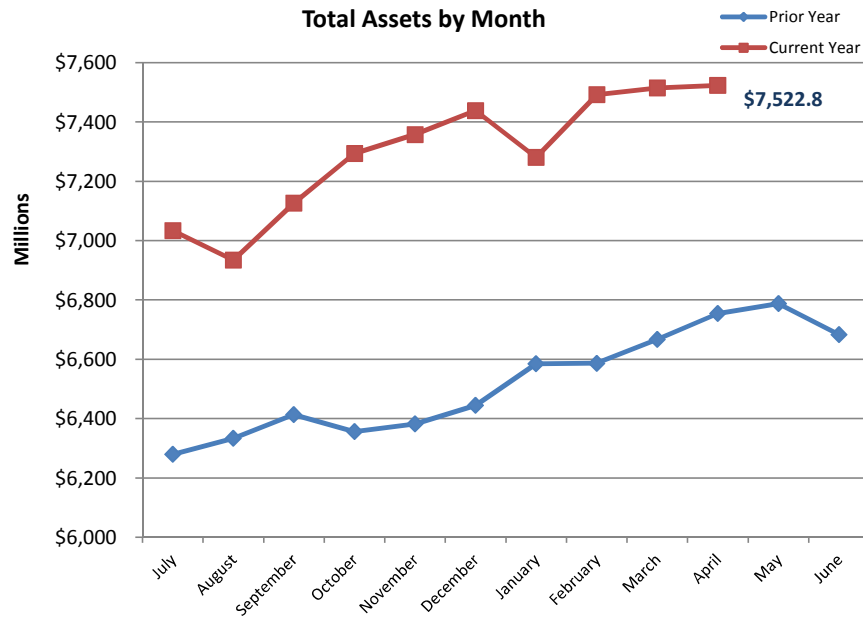


**Actual Asset Allocation**



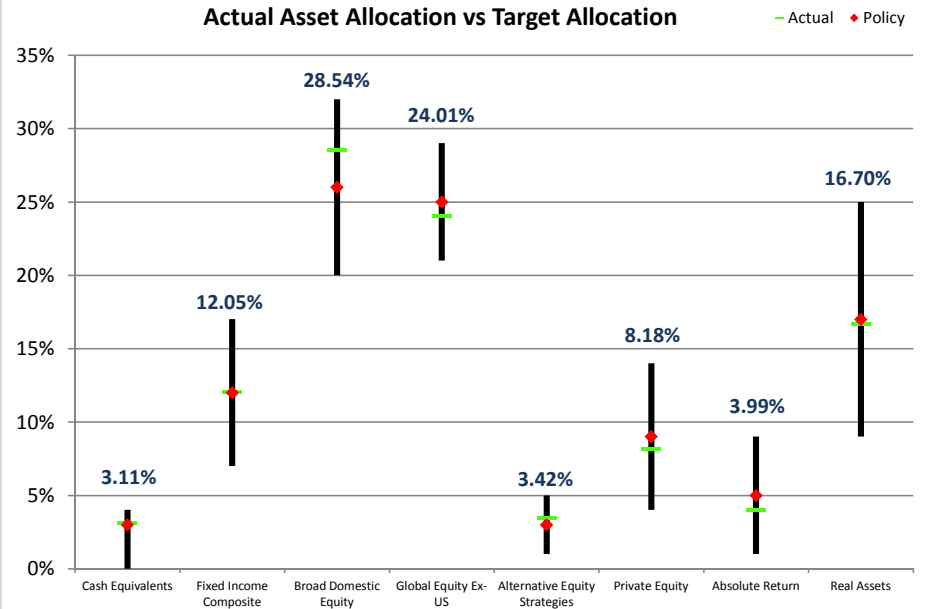
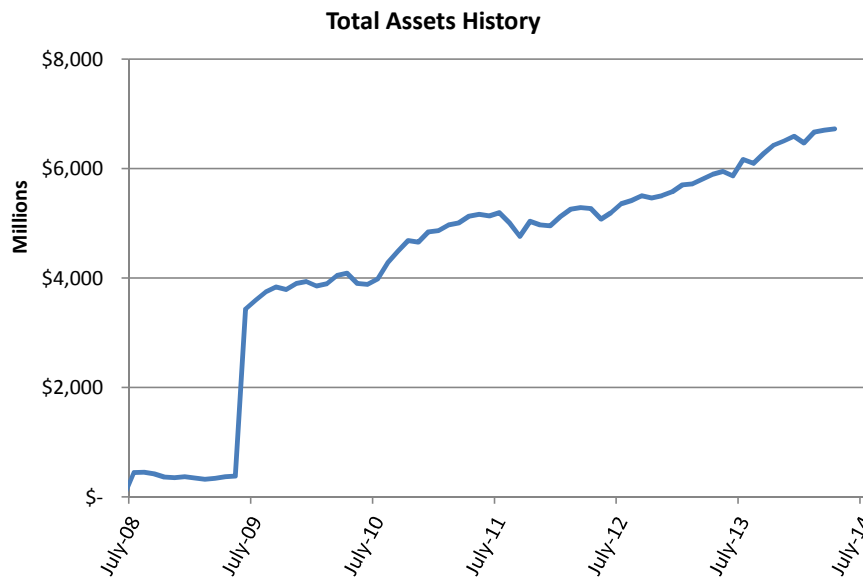
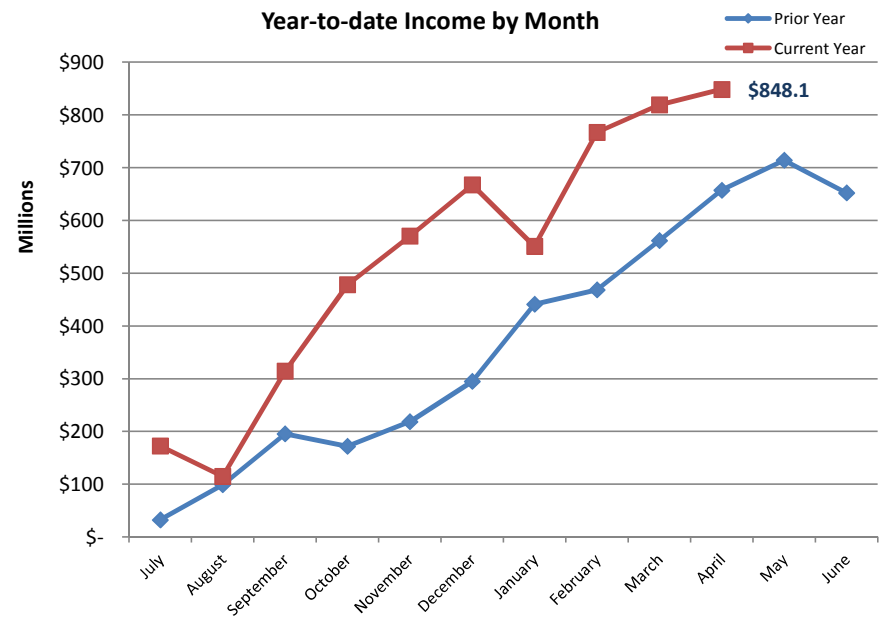
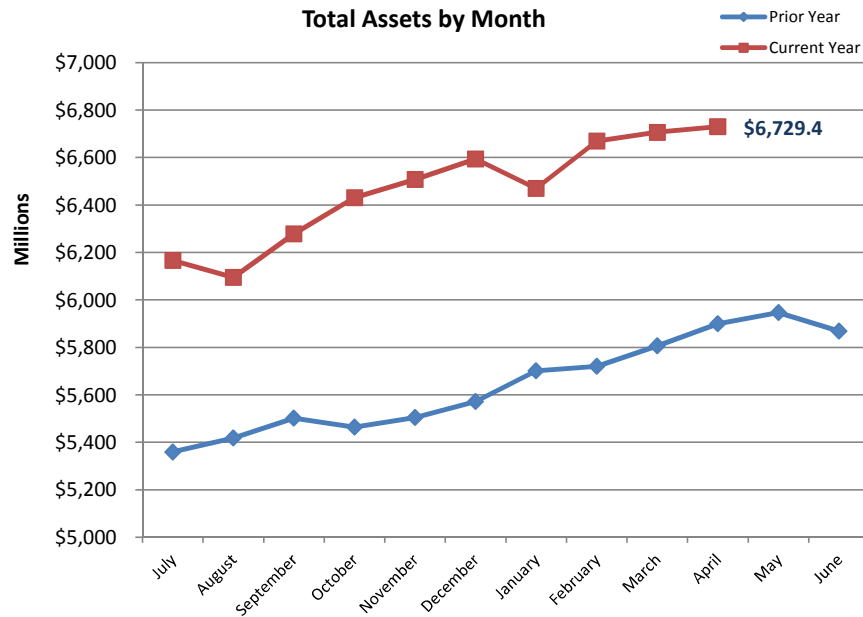
## Public Employees' Retirement Pension Trust Fund

### For the Ten Months Ending April 30, 2014



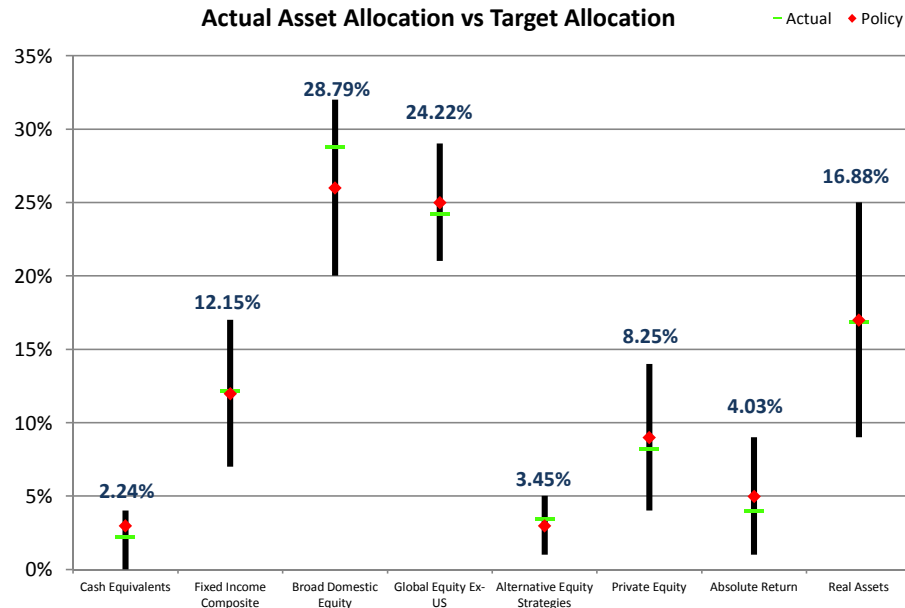
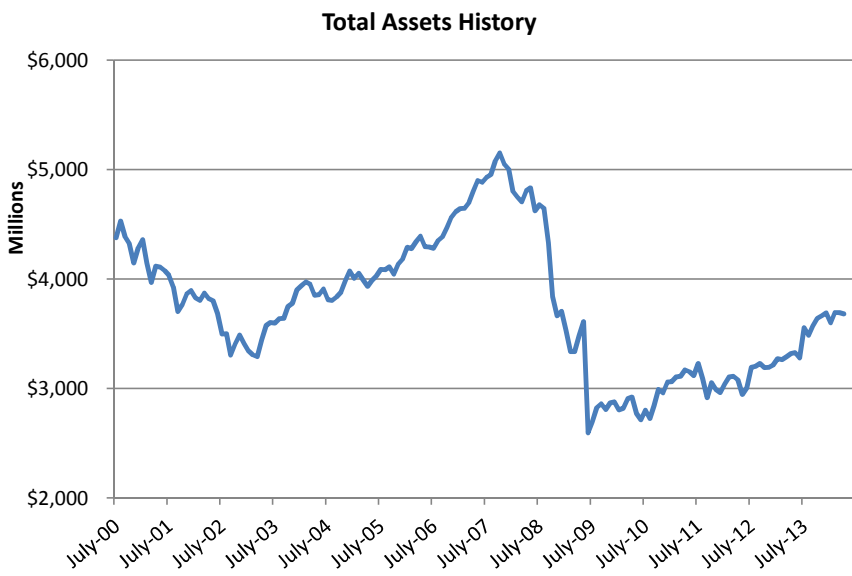
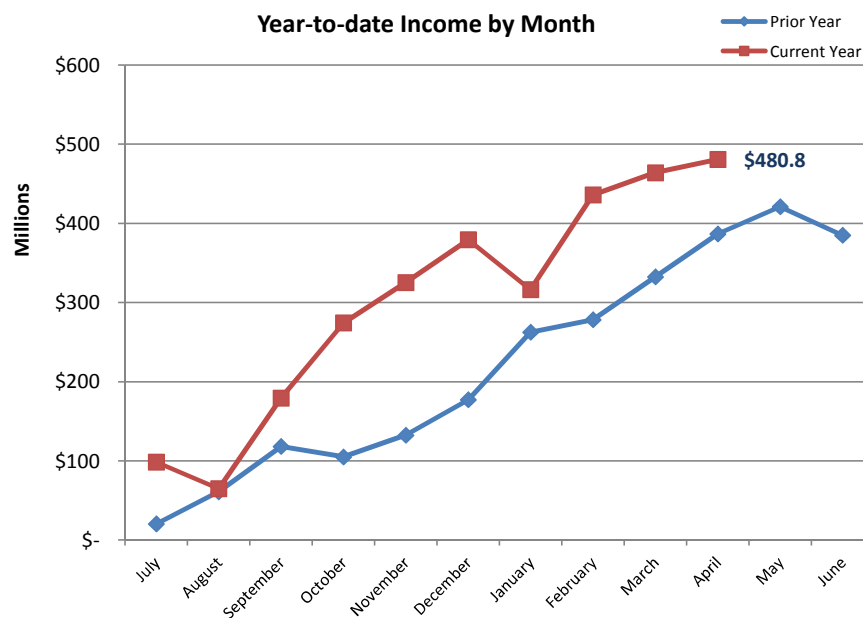
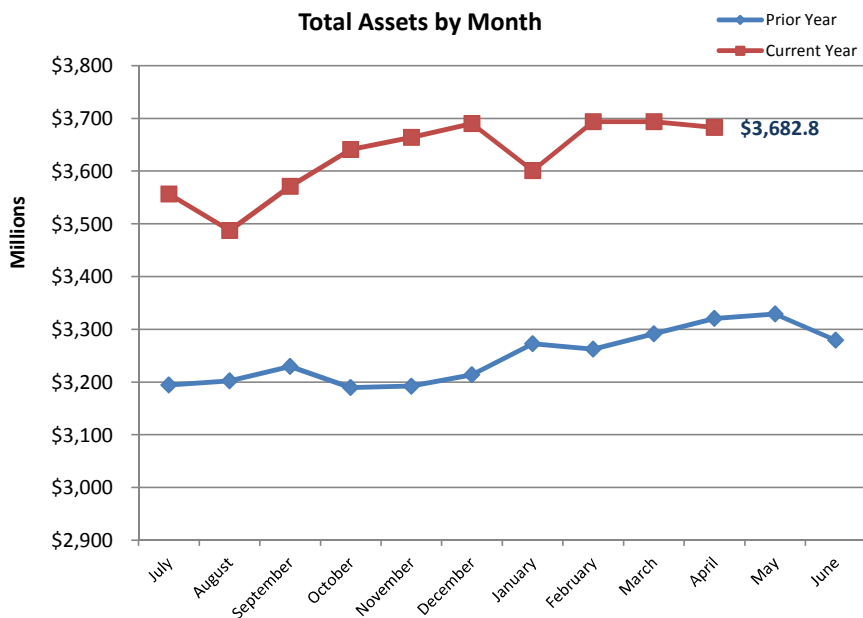
## Public Employees' Retirement Health Care Trust Fund

### For the Ten Months Ending April 30, 2014



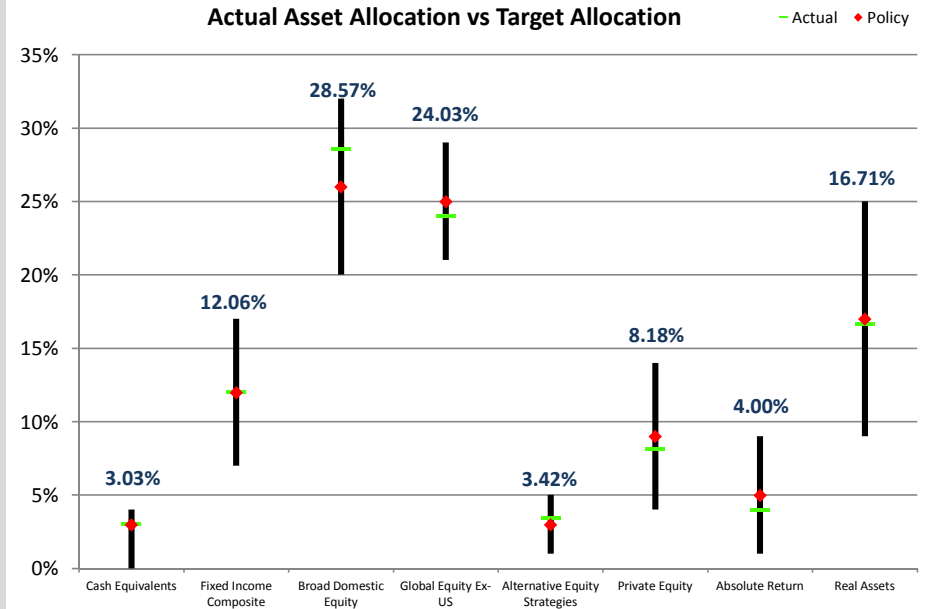
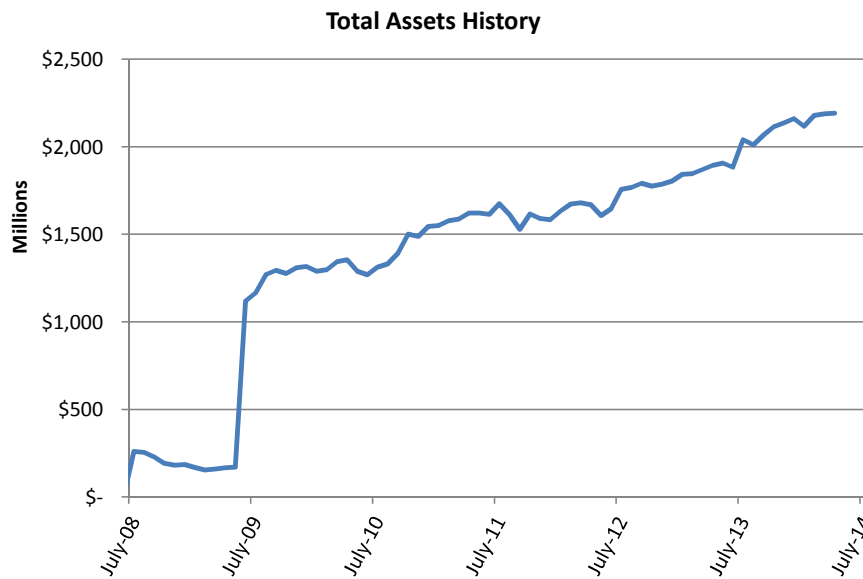
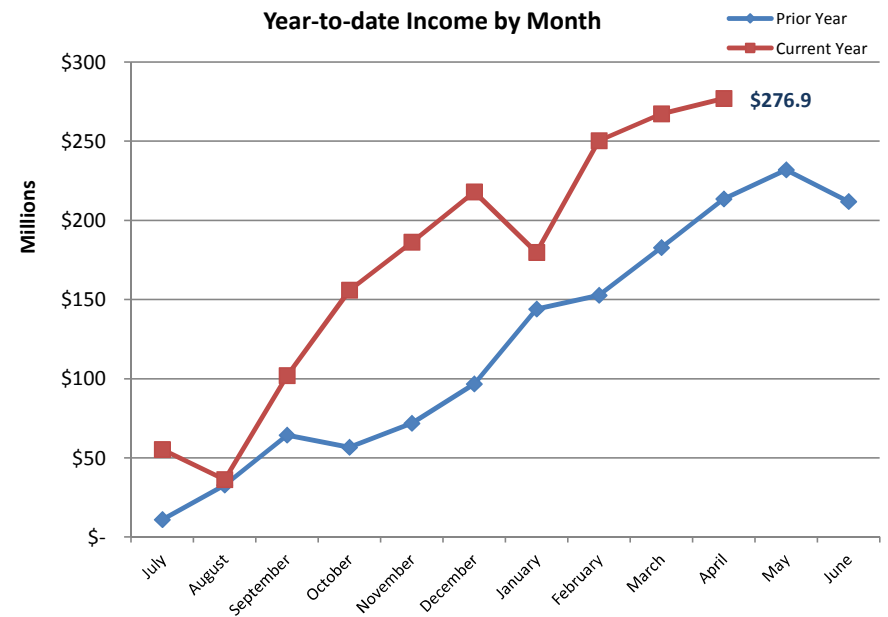
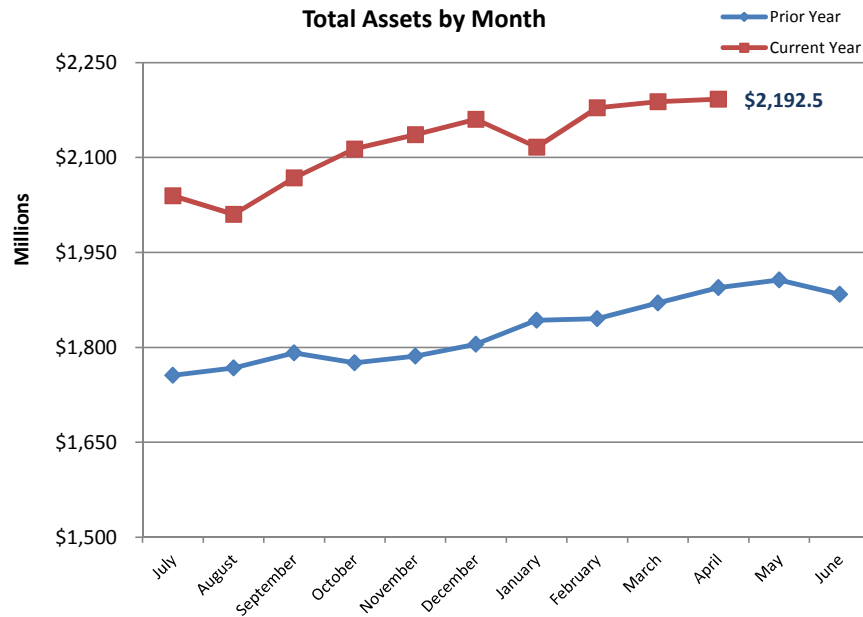
## Teachers' Retirement Pension Trust Fund

### For the Ten Months Ending April 30, 2014



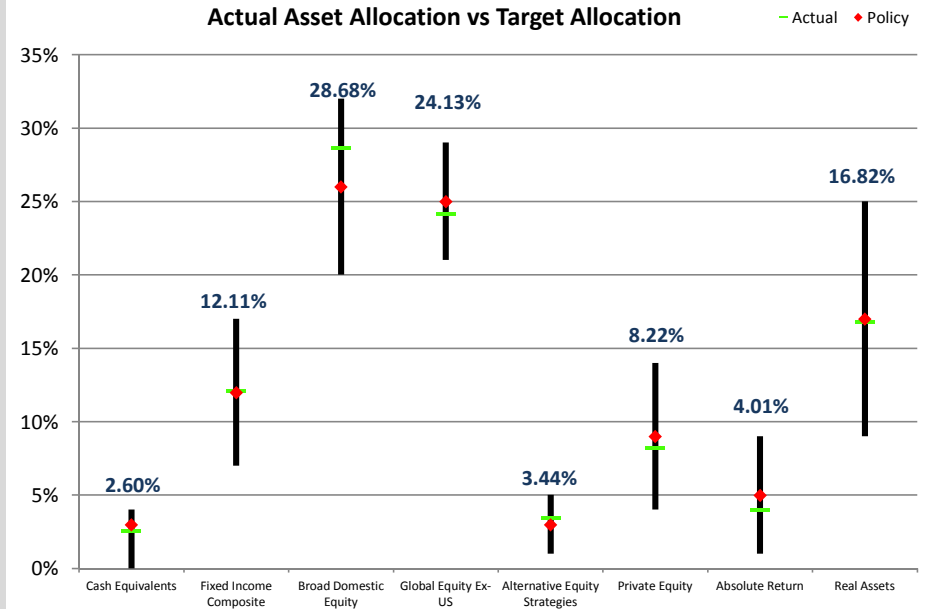
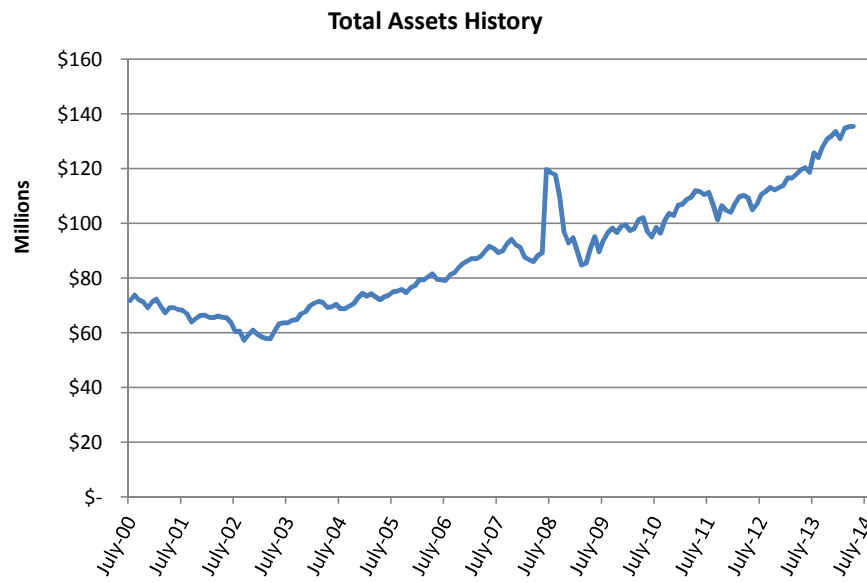
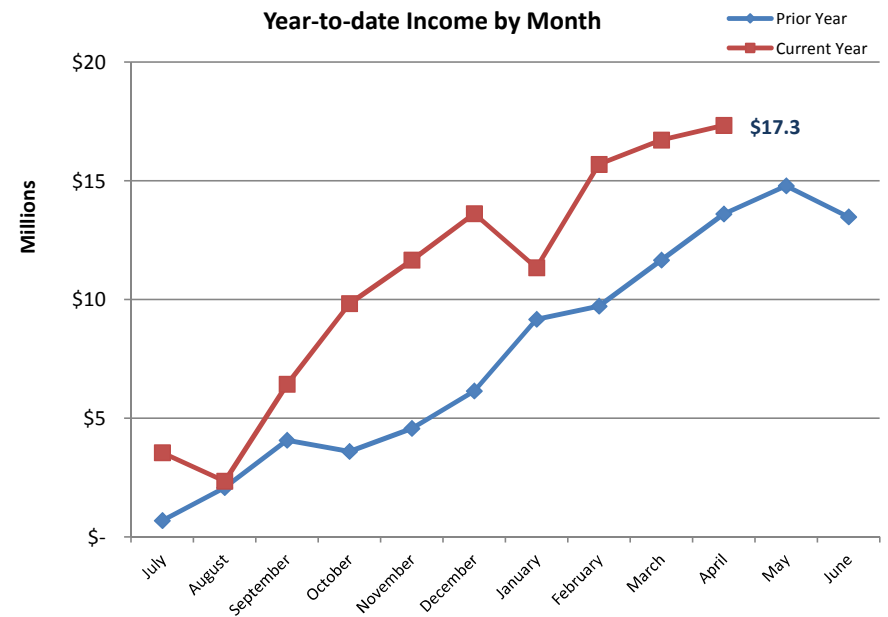
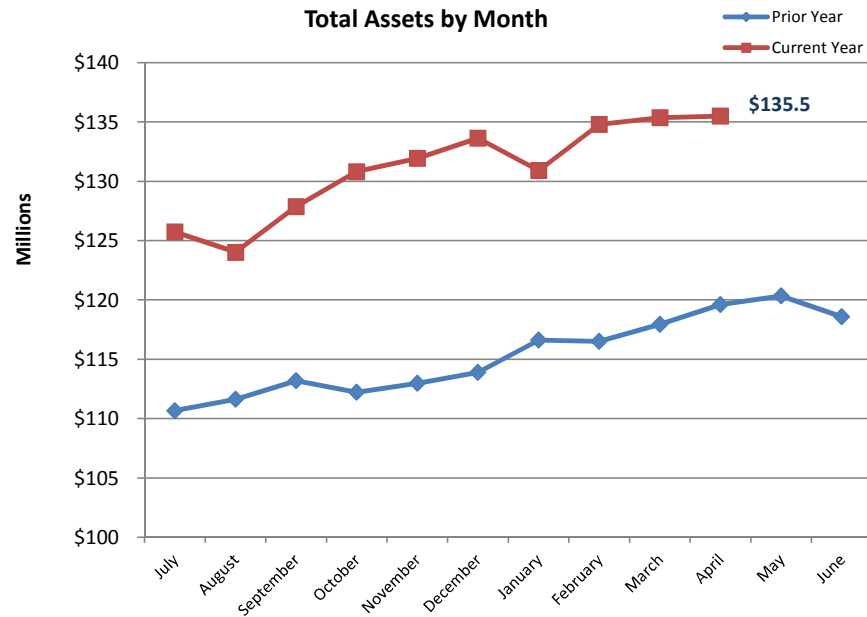
## Teachers' Retirement Health Care Trust Fund

### For the Ten Months Ending April 30, 2014



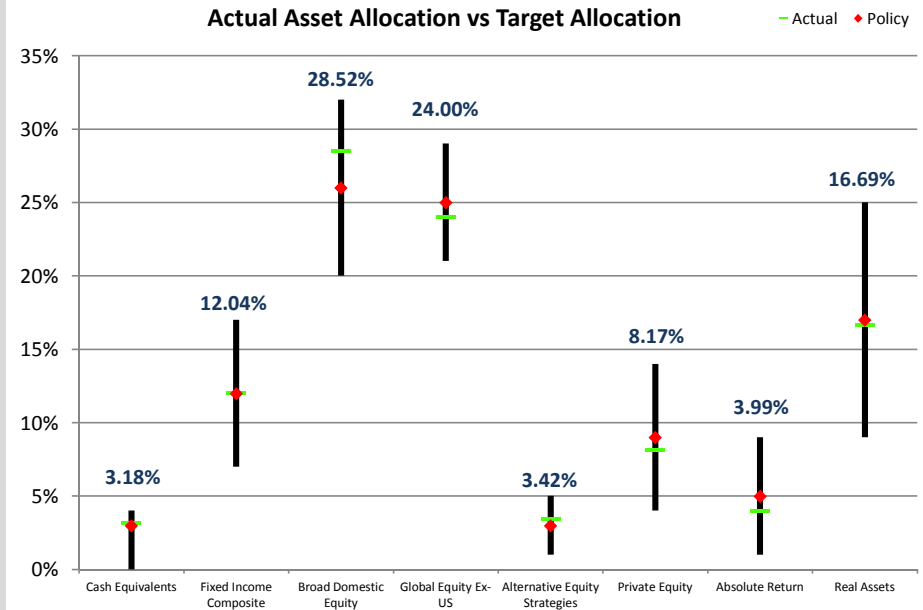
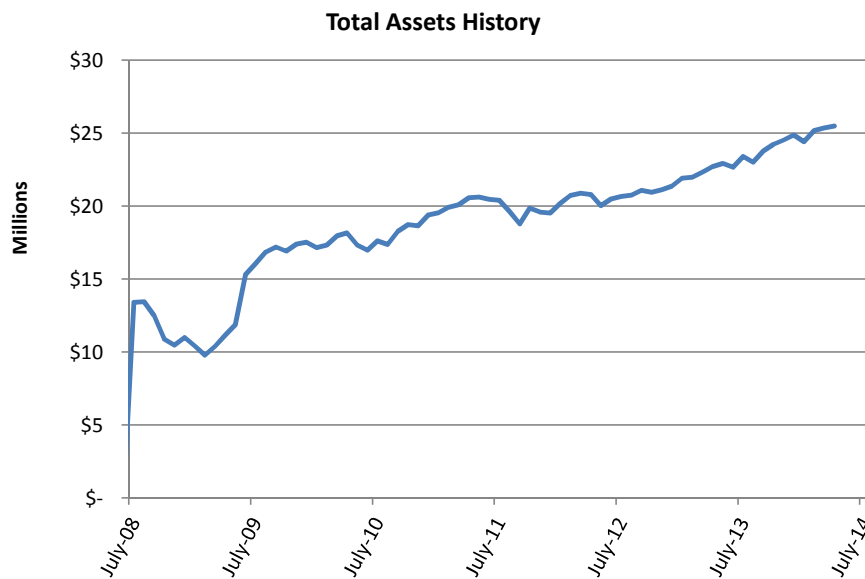
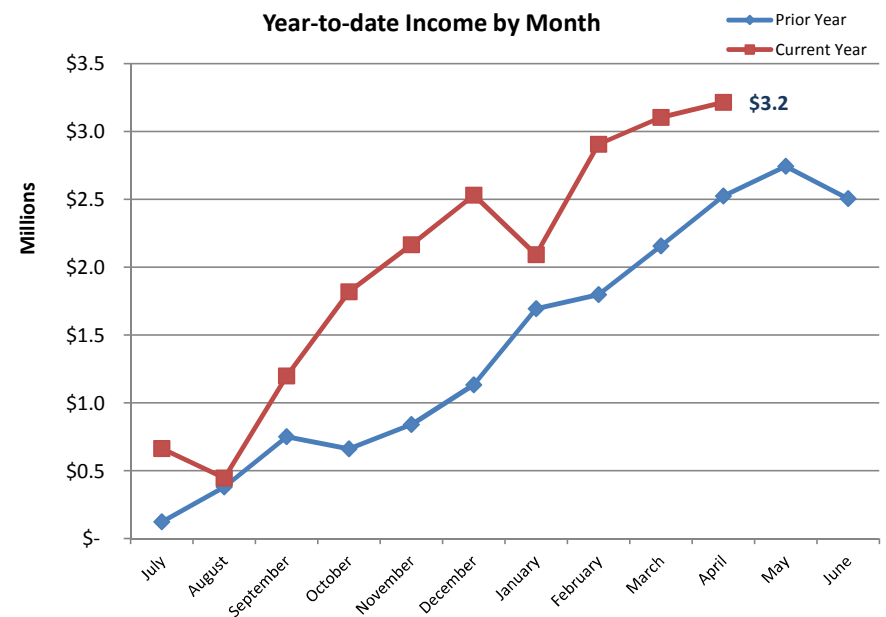
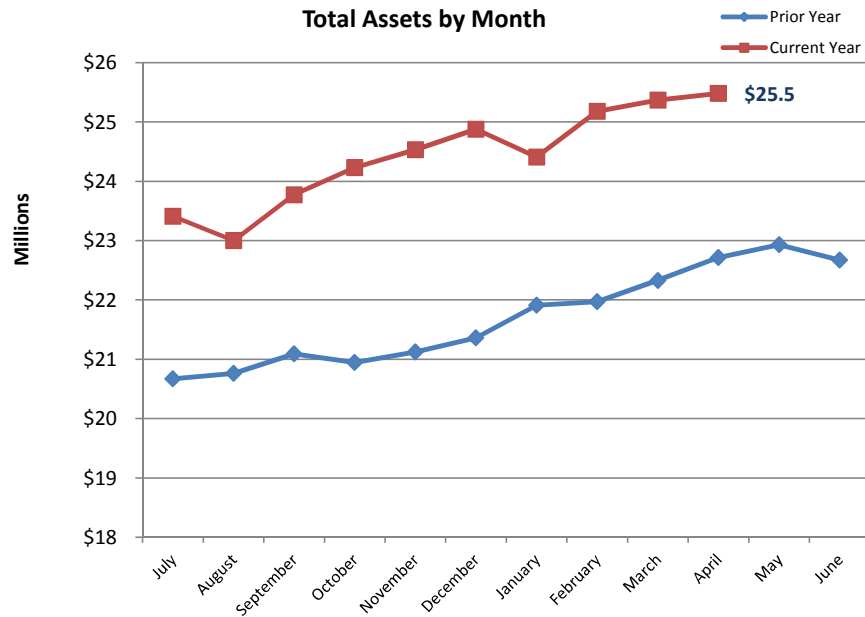
## Judicial Retirement Pension Trust Fund

### For the Ten Months Ending April 30, 2014

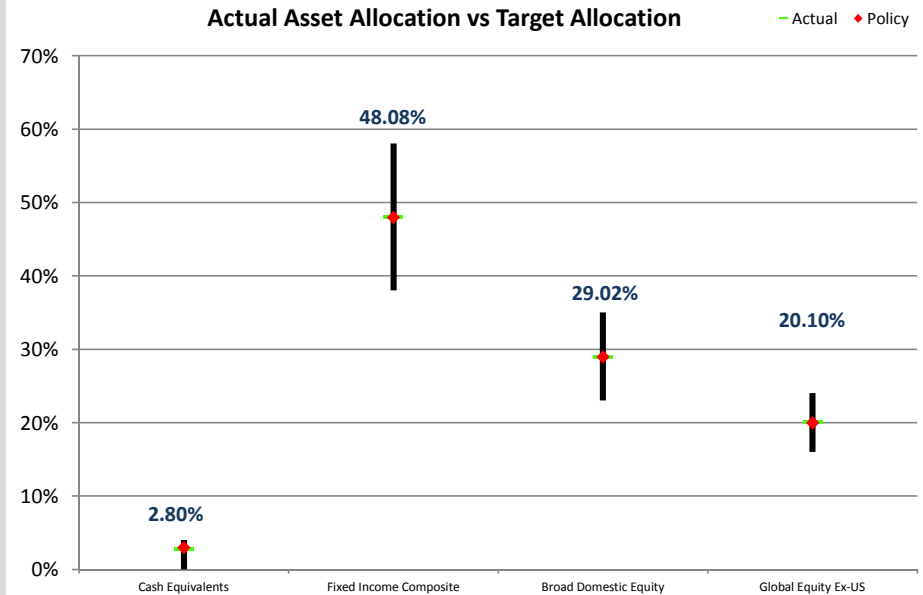
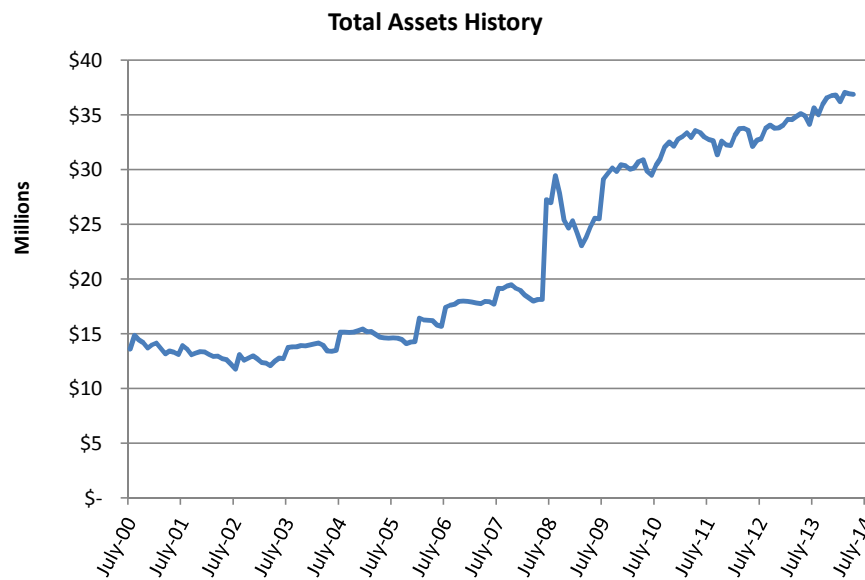
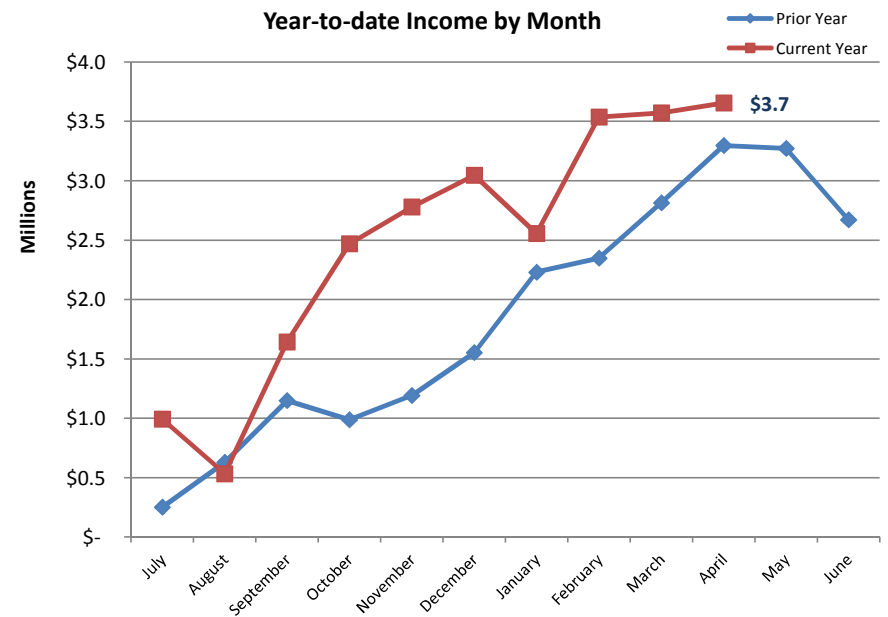
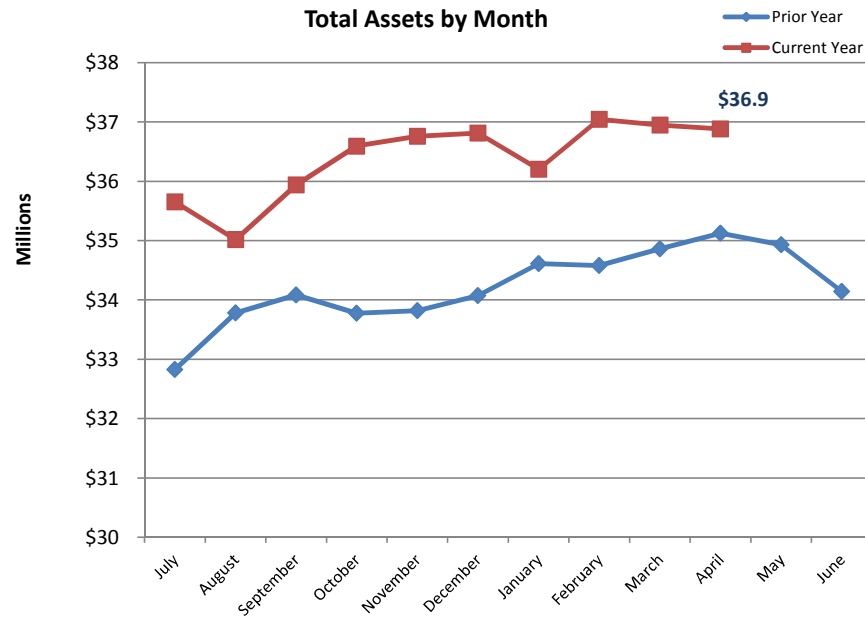


## Judicial Retirement Health Care Trust Fund

### For the Ten Months Ending April 30, 2014



## Military Retirement Trust Fund For the Ten Months Ending April 30, 2014





# **ALASKA RETIREMENT MANAGEMENT BOARD**

## **Reporting of Funds by Manager**

All Non-Participant Directed Plans

**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

	<b>Beginning Invested Assets</b>	<b>Investment Income</b>	<b>Net Contributions and (Withdrawals)</b>	<b>Ending Invested Assets</b>	<b>% increase (decrease)</b>
<b>Cash</b>					
Short-Term Fixed Income Pool	\$ 429,047,233	\$ 94,569	\$ 132,666,239	\$ 561,808,041	30.94%
<b>Total Cash</b>	<u>429,047,233</u>	<u>94,569</u>	<u>132,666,239</u>	<u>561,808,041</u>	30.94%
<b>Fixed Income</b>					
US Treasury Fixed Income	<u>1,217,621,567</u>	<u>4,801,203</u>	<u>(15,000,000)</u>	<u>1,207,422,770</u>	-0.84%
<b>Municipal Bond Pool</b>					
Western Asset Management	106,440,902	2,213,541	-	108,654,443	2.08%
Guggenheim Partners	<u>89,415,605</u>	<u>2,377,906</u>	<u>15,000,000</u>	<u>106,793,511</u>	19.43%
	<u>195,856,507</u>	<u>4,591,447</u>	<u>15,000,000</u>	<u>215,447,954</u>	10.00%
<b>International Fixed Income Pool</b>					
Mondrian Investment Partners	<u>367,573,468</u>	<u>3,571,101</u>	<u>-</u>	<u>371,144,569</u>	0.97%
<b>High Yield Pool</b>					
MacKay Shields, LLC	<u>553,180,390</u>	<u>3,230,015</u>	<u>-</u>	<u>556,410,405</u>	0.58%
<b>Emerging Debt Pool</b>					
Lazard Emerging Income	<u>149,089,909</u>	<u>1,742,465</u>	<u>-</u>	<u>150,832,374</u>	1.17%
<b>Total Fixed Income</b>	<u>2,483,321,841</u>	<u>17,936,231</u>	<u>-</u>	<u>2,501,258,072</u>	0.72%

**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

**Domestic Equities**

**Small Cap Pool**

Passively Managed

SSgA Russell 2000 Growth	17,427,200	(884,691)	-	16,542,509	-5.08%
SSgA Russell 2000 Value	63,330,075	(1,601,120)	-	61,728,955	-2.53%
Total Passive	80,757,275	(2,485,811)	-	78,271,464	-3.08%

Actively Managed

Barrow, Haney, Mewhinney & Strauss	189,499,456	(6,635,076)	(80,000,000)	102,864,380	-45.72%
DePrince, Race & Zollo Inc.- Micro Cap	102,296,837	(4,079,531)	-	98,217,306	-3.99%
Frontier Capital Mgmt. Co.	186,406,060	(4,347,344)	(80,000,000)	102,058,716	-45.25%
Jennison Associates, LLC	138,834,297	(4,983,601)	-	133,850,696	-3.59%
Lord Abbet Small Cap Growth Fund	135,432,089	(8,274,496)	-	127,157,593	-6.11%
Lord Abbett & Co.- Micro Cap	112,395,877	(9,948,121)	-	102,447,756	-8.85%
Luther King Capital Management	135,853,851	(5,181,437)	-	130,672,414	-3.81%
SSgA Futures Small Cap	11,044,993	(434,350)	-	10,610,643	-3.93%
Transition Account	-	-	-	-	-
Victory Capital Management	108,233,434	(3,132,447)	-	105,100,987	-2.89%
Total Active	1,119,996,894	(47,016,403)	(160,000,000)	912,980,491	-18.48%
<b>Total Small Cap</b>	<b>1,200,754,169</b>	<b>(49,502,214)</b>	<b>(160,000,000)</b>	<b>991,251,955</b>	<b>-17.45%</b>

**Large Cap Pool**

Passively Managed

SSgA Russell 1000 Growth	1,272,946,417	112,835	-	1,273,059,252	0.01%
SSgA Russell 1000 Value	1,307,220,337	12,364,968	-	1,319,585,305	0.95%
SSgA Russell 200	558,912,705	5,234,660	-	564,147,365	0.94%
Total Passive	3,139,079,459	17,712,463	-	3,156,791,922	0.56%

Actively Managed

Allianz Global Investors	334,533,539	(257,519)	-	334,276,020	-0.08%
Barrow, Haney, Mewhinney & Strauss	322,158,930	(3,372,347)	-	318,786,583	-1.05%
Lazard Freres	433,237,653	(2,808,440)	-	430,429,213	-0.65%
McKinley Capital Mgmt.	328,831,565	76,729	-	328,908,294	0.02%
Quantitative Management Assoc.	318,024,599	2,154,119	-	320,178,718	0.68%
SSgA Futures large cap	12,398,754	470,721	-	12,869,475	3.80%
Transition Account	-	-	-	-	-
Total Active	1,749,185,040	(3,736,737)	-	1,745,448,303	-0.21%
<b>Total Large Cap</b>	<b>4,888,264,499</b>	<b>13,975,726</b>	<b>-</b>	<b>4,902,240,225</b>	<b>0.29%</b>
<b>Total Domestic Equity</b>	<b>6,089,018,668</b>	<b>(35,526,488)</b>	<b>(160,000,000)</b>	<b>5,893,492,180</b>	<b>-3.21%</b>

**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

**Alternative Equity Strategies**

**Alternative Equity Strategy Pool**

Relational Investors, LLC	281,242,812	8,061,946	9,458,778	298,763,536	6.23%
Analytic Buy Write Account	133,039,169	1,099,553	-	134,138,722	0.83%
Allianz Global Investors Buy-Write Account	133,716	(4,218)	-	129,498	-3.15%
ARMB Equity Yield Strategy	127,289,955	2,322,519	-	129,612,474	1.82%
<b>Total Alternative Equity Strategy Pool</b>	<b>541,705,652</b>	<b>11,479,800</b>	<b>9,458,778</b>	<b>562,644,230</b>	<b>3.87%</b>

**Convertible Bond Pool**

Advent Capital	141,504,661	647,232	-	142,151,893	0.46%
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<b>Total Alternative Equity Strategies</b>	<b>683,210,313</b>	<b>12,127,032</b>	<b>9,458,778</b>	<b>704,796,123</b>	<b>3.16%</b>
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**Global Equities Ex US**

**Small Cap Pool**

Mondrian Investment Partners	157,060,502	891,464	-	157,951,966	0.57%
Schroder Investment Management	163,073,783	(1,165,611)	-	161,908,172	-0.71%
<b>Total Small Cap</b>	<b>320,134,285</b>	<b>(274,147)</b>	<b>-</b>	<b>319,860,138</b>	<b>-0.09%</b>

**Large Cap Pool**

Blackrock ACWI Ex-US IMI	642,434,026	7,596,063	-	650,030,089	1.18%
Brandes Investment Partners	1,064,106,863	16,841,741	-	1,080,948,604	1.58%
Cap Guardian Trust Co	803,964,764	969,792	-	804,934,556	0.12%
Lazard Freres	495,390,029	984,341	-	496,374,370	0.20%
McKinley Capital Management	381,880,307	(4,695,819)	-	377,184,488	-1.23%
SSgA Futures International	-	-	-	-	-
State Street Global Advisors	642,201,206	7,534,992	-	649,736,198	1.17%
<b>Total Large Cap</b>	<b>4,029,977,195</b>	<b>29,231,110</b>	<b>-</b>	<b>4,059,208,305</b>	<b>0.73%</b>

**Emerging Markets Equity Pool**

Lazard Asset Management	350,988,001	1,699,243	-	352,687,244	0.48%
Eaton Vance	222,267,651	2,366,122	-	224,633,773	1.06%
<b>Total Emerging Markets Pool</b>	<b>573,255,652</b>	<b>4,065,365</b>	<b>-</b>	<b>577,321,017</b>	<b>0.71%</b>
	4,923,367,132				

**Frontier Market Pool**

Everest Capital Frontier Markets Equity		-	-	-	
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<b>Total Global Equities</b>	<b>4,923,367,132</b>	<b>33,022,328</b>	<b>-</b>	<b>4,956,389,460</b>	<b>0.67%</b>
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**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

**Private Equity Pool**

Abbott Capital	741,810,334	11,304,298	(5,753,239)	747,361,393	0.75%
Angelo, Gordon & Co.	9,796,921	(1)	(1,175,080)	8,621,840	-11.99%
Blum Capital Partners-Strategic	11,235,710	-	-	11,235,710	-
Lexington Partners	45,476,897	9	(1,229,689)	44,247,217	-2.70%
Merit Capital Partners	11,509,808	(3)	(489,897)	11,019,908	-4.26%
NB SOF III	4,370,930	-	-	4,370,930	-
Onex Partnership III	22,864,972	878,046	-	23,743,018	3.84%
Pathway Capital Management LLC	787,586,279	15,945,944	(3,931,664)	799,600,559	1.53%
Warburg Pincus Prvt Eqty XI	9,323,314	-	-	9,323,314	-
Warburg Pincus X	26,066,913	2	(389,580)	25,677,335	-1.49%
<b>Total Private Equity</b>	<u>1,670,042,078</u>	<u>28,128,295</u>	<u>(12,969,149)</u>	<u>1,685,201,224</u>	0.91%

**Absolute Return Pool**

Global Asset Management (USA) Inc.	314,931,429	(1,516,116)	-	313,415,313	-0.48%
Prisma Capital Partners	325,875,811	(3,318,612)	-	322,557,199	-1.02%
Mariner Investment Group, Inc.	358,472	(353,494)	(4,978)	-	-100.00%
Crestline Investors, Inc.	211,951,724	(581,237)	(24,503,201)	186,867,286	-11.83%
<b>Total Absolute Return Investments</b>	<u>853,117,436</u>	<u>(5,769,459)</u>	<u>(24,508,179)</u>	<u>822,839,798</u>	-3.55%

**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

**Real Assets**

**Farmland Pool**

UBS Agrinvest, LLC	479,967,823	-	-	479,967,823	-
Hancock Agricultural Investment Group	262,199,397	-	-	262,199,397	-
<b>Total Farmland Pool</b>	<u>742,167,220</u>	<u>-</u>	<u>-</u>	<u>742,167,220</u>	<u>-</u>

**Timber Pool**

Timberland Invt Resource LLC	188,208,736	692,534	27,028,000	215,929,270	14.73%
Hancock Natural Resource Group	85,148,507	-	-	85,148,507	-
<b>Total Timber Pool</b>	<u>273,357,243</u>	<u>692,534</u>	<u>27,028,000</u>	<u>301,077,777</u>	<u>10.14%</u>

**Energy Pool**

EIG Energy Fund XV	38,735,918	(591,411)	-	38,144,507	-1.53%
EIG Energy Fund XD	7,679,537	31,768	-	7,711,305	0.41%
EIG Energy Fund XIV-A	52,356,491	(1,080,653)	-	51,275,838	-2.06%
EIG Energy Fund XVI	6,805,978	(313,698)	-	6,492,280	-4.61%
<b>Total Energy Pool</b>	<u>105,577,924</u>	<u>(1,953,994)</u>	<u>-</u>	<u>103,623,930</u>	<u>-1.85%</u>

**REIT Pool**

REIT Holdings	<u>338,881,774</u>	<u>10,447,209</u>	<u>-</u>	<u>349,328,983</u>	<u>3.08%</u>
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**Treasury Inflation Proof Securities**

TIPS Internally Managed Account	<u>33,722,308</u>	<u>439,874</u>	<u>-</u>	<u>34,162,182</u>	<u>1.30%</u>
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**Master Limited Partnerships**

Advisory Research MLP	198,018,830	6,105,062	-	204,123,892	3.08%
Tortoise Capital Advisors	219,322,930	7,855,152	-	227,178,082	3.58%
<b>Total Master Limited Partnerships</b>	<u>417,341,760</u>	<u>13,960,214</u>	<u>-</u>	<u>431,301,974</u>	<u>3.35%</u>

**Infrastructure Public Pool**

Brookfield Investment Mgmt.-Public	75,721,345	1,522,451	-	77,243,796	2.01%
Lazard Asset Mgmt.-Public	75,995,577	851,980	-	76,847,557	1.12%
<b>Total Infrastructure Public Pool</b>	<u>151,716,922</u>	<u>2,374,431</u>	<u>-</u>	<u>154,091,353</u>	<u>1.57%</u>

**Alaska Retirement Management Board**  
**All Non-Participant Directed Plans by Manager**  
**Schedule of Investment Income and Changes in Invested Assets**  
**For The Month Ended April 30, 2014**

**Real Estate**

Core Commingled Accounts					
JP Morgan	203,286,664	4,192,548	(1,988,818)	205,490,394	1.08%
UBS Trumbull Property Fund	83,005,231	1,065,711	(607,638)	83,463,304	0.55%
Total Core Commingled	286,291,895	5,258,259	(2,596,456)	288,953,698	0.93%
Core Separate Accounts					
Cornerstone Real Estate Advisers Inc.	121,693,066	-	-	121,693,066	-
LaSalle Investment Management	180,152,327	31,864	(32,681,857)	147,502,334	-18.12%
Sentinel Separate Account	153,509,512	43	(622,821)	152,886,734	-0.41%
UBS Realty	292,378,082	3	(464,946)	291,913,139	-0.16%
Total Core Separate	747,732,987	31,910	(33,769,624)	713,995,273	-4.51%
Non-Core Commingled Accounts					
Almanac Realty Securities IV	17,085,158	(4)	(200,535)	16,884,619	-1.17%
Almanac Realty Securities V	23,068,168	2	(511,802)	22,556,368	-2.22%
BlackRock Diamond Property Fund	27,844,778	708,649	(8,262)	28,545,165	2.52%
Colony Investors VIII, L.P.	23,347,857	2,772,065	-	26,119,922	11.87%
Cornerstone Apartment Venture III	10,114,155	-	-	10,114,155	-
Coventry	13,447,397	(751,475)	-	12,695,922	-5.59%
ING Clarion Development Ventures II	3,144,713	-	-	3,144,713	-
ING Clarion Development Ventures III	26,345,382	-	-	26,345,382	-
KKR Real Estate Partners Americas LP.	17,890,531	-	4,537,613	22,428,144	25.36%
LaSalle Medical Office Fund II	7,594,997	-	-	7,594,997	-
Lowe Hospitality Partners	1,842,443	790,731	-	2,633,174	42.92%
Silverpeak Legacy Pension Partners II, L.P.	53,236,019	5,855,553	-	59,091,572	11.00%
Silverpeak Legacy Pension Partners III, L.P.	8,814,991	148,353	-	8,963,344	1.68%
Tishman Speyer Real Estate Venture VI	63,238,981	874,909	-	64,113,890	1.38%
Tishman Speyer Real Estate Venture VII	16,622,786	644,520	(876,420)	16,390,886	-1.40%
Total Non-Core Commingled	313,638,356	11,043,303	2,940,594	327,622,253	4.46%
<b>Total Real Estate</b>	<b>1,347,663,238</b>	<b>16,333,472</b>	<b>(33,425,486)</b>	<b>1,330,571,224</b>	<b>-1.27%</b>
<b>Total Real Assets</b>	<b>3,410,428,389</b>	<b>42,293,740</b>	<b>(6,397,486)</b>	<b>3,446,324,643</b>	<b>1.05%</b>
<b>Total Assets</b>	<b>\$ 20,541,553,090</b>	<b>\$ 92,306,248</b>	<b>\$ (61,749,797)</b>	<b>\$ 20,572,109,541</b>	<b>0.15%</b>



# **ALASKA RETIREMENT MANAGEMENT BOARD**

## **Reporting of Funds by Manager**

### Participant Directed Plans

**Supplemental Annuity Plan**  
**Schedule of Investment Income and Changes in Invested Assets**  
**for the Month Ended**  
**April 30, 2014**

	<b>Beginning Invested Assets</b>	<b>Investment Income</b>	<b>Net Contributions (Withdrawals)</b>	<b>Transfers In (Out)</b>	<b>Ending Invested Assets</b>	<b>% Change in Invested Assets</b>	<b>% Change due to Investment Income (3)</b>
<b>Interim Transit Account</b>							
Treasury Division <sup>(1)</sup>							
Cash and Cash Equivalents	\$ 7,127,331	\$ 720	\$ (92,824)	\$ -	\$ 7,035,227	-1.29%	0.01%
<b>Participant Options</b>							
T. Rowe Price							
Stable Value Fund	343,031,003	676,432	(1,056,225)	1,316,816	343,968,026	0.27%	0.20%
Small Cap Stock Fund	141,931,676	(5,573,686)	146,305	(1,754,038)	134,750,257	-5.06%	-3.95%
Alaska Balanced Trust	1,176,539,798	7,265,252	(2,223,193)	(3,730,179)	1,177,851,678	0.11%	0.62%
Long Term Balanced Fund	505,912,001	2,494,166	1,926,017	(1,592,312)	508,739,872	0.56%	0.49%
AK Target Date 2010 Trust	8,062,906	36,307	23,585	(76,460)	8,046,338	-0.21%	0.45%
AK Target Date 2015 Trust	103,149,474	430,950	79,387	(2,295,922)	101,363,889	-1.73%	0.42%
AK Target Date 2020 Trust	60,247,446	271,735	110,499	696,042	61,325,722	1.79%	0.45%
AK Target Date 2025 Trust	34,196,137	150,949	246,989	1,203,575	35,797,650	4.68%	0.43%
AK Target Date 2030 Trust	22,638,800	88,386	249,513	383,940	23,360,639	3.19%	0.39%
AK Target Date 2035 Trust	20,331,012	76,464	263,346	133,486	20,804,308	2.33%	0.37%
AK Target Date 2040 Trust	20,342,487	73,449	341,437	273,116	21,030,489	3.38%	0.36%
AK Target Date 2045 Trust	21,606,509	75,330	476,296	(54,399)	22,103,736	2.30%	0.35%
AK Target Date 2050 Trust	22,860,853	83,105	528,672	471,791	23,944,421	4.74%	0.36%
AK Target Date 2055 Trust	14,582,514	50,052	349,648	(260,890)	14,721,324	0.95%	0.34%
Total Investments with T. Rowe Price	2,495,432,616	6,198,891	1,462,276	(5,285,434)	2,497,808,349		
State Street Global Advisors							
State Street Treasury Money Market Fund - Inst.	38,376,578	2	(309,924)	460,100	38,526,756	0.39%	0.00%
S&P 500 Stock Index Fund Series A	311,839,393	2,320,982	75,629	(879,486)	313,356,518	0.49%	0.75%
Russell 3000 Index	49,822,449	86,330	(192,877)	783,912	50,499,814	1.36%	0.17%
US Real Estate Investment Trust Index	23,739,768	885,245	(14,945)	757,668	25,367,736	6.86%	3.67%
World Equity Ex-US Index	26,287,060	341,779	(29,460)	(505,173)	26,094,206	-0.73%	1.31%
Long US Treasury Bond Index	7,781,766	177,195	25,818	1,145,114	9,129,893	17.32%	2.12%
US Treasury Inflation Protected Securities Index	16,178,015	216,083	(382,603)	1,015,231	17,026,726	5.25%	1.31%
World Government Bond Ex-US Index	9,444,528	124,951	(166,150)	373,983	9,777,312	3.52%	1.31%
Global Balanced Fund	54,169,695	519,890	54,782	87,489	54,831,856	1.22%	0.96%
Total Investments with SSGA	537,639,252	4,672,457	(939,730)	3,238,838	544,610,817		
BlackRock							
Government/Credit Bond Fund	44,258,811	344,954	(140,704)	(48,197)	44,414,864	0.35%	0.78%
Intermediate Bond Fund	13,017,754	46,107	(79,206)	(241,046)	12,743,609	-2.11%	0.36%
Total Investments with Barclays Global Investors	57,276,565	391,061	(219,910)	(289,243)	57,158,473		
Brandes Institutional							
International Equity Fund Fee	78,246,797	1,353,547	89,080	2,345,099	82,034,523	4.84%	1.70%
RCM							
Sustainable Core Opportunities Fund	36,917,067	(51,953)	(53,678)	(9,260)	36,802,176	-0.31%	-0.14%
<b>Total All Funds</b>	<b>\$ 3,212,639,628</b>	<b>\$ 12,564,723</b>	<b>\$ 245,214</b>	<b>\$ -</b>	<b>\$ 3,225,449,565</b>	<b>0.40%</b>	<b>0.39%</b>

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

**Supplemental Annuity Plan**  
**Schedule of Invested Assets with**  
**Schedule of Investment Income and Changes in Invested Assets**  
**By Month Through the Month Ended**  
**April 30, 2014**  
**\$ (Thousands)**

<b><u>Invested Assets</u></b> (at fair value)	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>
Investments with Treasury Division										
Cash and cash equivalents	\$ 6,963	\$ 8,002	\$ 7,774	\$ 1,138	\$ 5,857	\$ 4,897	\$ 6,222	\$ 7,356	\$ 7,127	\$ 7,035
Investments with T. Rowe Price										
Stable Value Fund	342,163	341,965	353,860	349,102	346,121	347,873	344,308	346,567	343,031	343,968
Small Cap Stock Fund	119,871	119,590	123,647	131,079	135,600	139,210	135,150	141,190	141,932	134,750
Alaska Balanced Trust	1,145,537	1,125,332	1,142,412	1,164,797	1,167,998	1,169,247	1,161,953	1,180,106	1,176,540	1,177,852
Long Term Balanced Fund	447,174	442,185	458,146	472,790	479,873	489,395	485,781	503,207	505,912	508,740
AK Target Date 2010 Trust	7,235	7,455	7,114	8,433	8,121	8,396	7,549	7,825	8,063	8,046
AK Target Date 2015 Trust	97,964	96,565	97,851	101,398	102,715	102,986	101,240	104,147	103,149	101,364
AK Target Date 2020 Trust	48,561	47,667	50,537	53,429	54,793	56,111	56,572	58,895	60,247	61,326
AK Target Date 2025 Trust	30,232	29,289	29,866	30,873	31,819	32,495	32,039	33,591	34,196	35,798
AK Target Date 2030 Trust	14,847	15,993	17,135	19,222	19,877	20,498	20,521	21,798	22,639	23,361
AK Target Date 2035 Trust	14,419	14,608	15,286	16,472	17,046	18,236	18,069	19,443	20,331	20,804
AK Target Date 2040 Trust	15,673	15,644	16,623	17,236	18,015	18,650	18,353	19,735	20,342	21,030
AK Target Date 2045 Trust	16,055	16,241	17,314	18,718	19,431	20,272	19,736	21,112	21,607	22,104
AK Target Date 2050 Trust	16,248	16,509	17,654	19,436	19,765	20,728	20,852	22,320	22,861	23,944
AK Target Date 2055 Trust	9,471	9,697	10,310	11,080	12,406	12,707	13,028	13,857	14,583	14,721
State Street Global Advisors										
State Street Treasury Money Market Fund - Inst.	36,430	37,668	38,460	37,979	37,801	35,213	36,803	38,133	38,377	38,527
S&P 500 Stock Index Fund Series A	284,037	275,135	279,251	291,542	303,775	312,451	299,642	308,928	311,839	313,357
Russell 3000 Index	33,378	33,573	35,472	39,965	43,575	46,620	45,097	48,447	49,822	50,500
US Real Estate Investment Trust Index	34,248	29,016	27,300	27,111	22,694	21,746	22,480	24,861	23,740	25,368
World Equity Ex-US Index	23,860	23,712	25,952	27,497	28,164	28,169	26,437	26,990	26,287	26,094
Long US Treasury Bond Index	9,537	8,831	8,999	7,945	7,100	6,343	8,405	8,071	7,782	9,130
US Treasury Inflation Protected Securities Index	17,978	17,536	17,411	16,961	16,691	16,352	16,949	16,513	16,178	17,027
World Government Bond Ex-US Index	7,183	7,527	7,829	8,311	8,433	8,389	8,905	9,457	9,445	9,777
Global Balanced Fund	54,784	53,706	54,954	55,250	54,722	53,603	52,306	53,861	54,170	54,832
Investments with BlackRock										
Government/Credit Bond Fund	45,356	44,798	44,995	44,053	43,873	43,423	43,922	44,069	44,259	44,415
Intermediate Bond Fund	15,160	14,182	13,996	13,946	13,789	13,399	13,519	13,067	13,018	12,744
Investments with Brandes Institutional										
International Equity Fund Fee	64,109	64,506	70,086	74,779	74,388	74,470	71,444	75,911	78,247	82,035
Investments with RCM										
Sustainable Core Opportunities Fund	33,172	32,118	33,617	35,404	36,136	36,988	35,458	37,322	36,917	36,802
<b>Total Invested Assets</b>	<b>\$ 2,991,647</b>	<b>\$ 2,949,049</b>	<b>\$ 3,023,850</b>	<b>\$ 3,095,947</b>	<b>\$ 3,130,577</b>	<b>\$ 3,158,866</b>	<b>\$ 3,122,736</b>	<b>\$ 3,206,780</b>	<b>\$ 3,212,640</b>	<b>\$ 3,225,450</b>
<b><u>Change in Invested Assets</u></b>										
Beginning Assets	\$ 2,916,434	\$ 2,991,647	\$ 2,949,049	\$ 3,023,850	\$ 3,095,947	\$ 3,130,577	\$ 3,158,866	\$ 3,122,736	\$ 3,206,780	\$ 3,212,640
Investment Earnings	77,620	(44,221)	78,084	70,381	34,517	30,535	(33,191)	82,510	5,497	12,565
Net Contributions (Withdrawals)	(2,408)	1,623	(3,283)	1,716	113	(2,246)	(2,939)	1,533	363	245
<b>Ending Invested Assets</b>	<b>\$ 2,991,647</b>	<b>\$ 2,949,049</b>	<b>\$ 3,023,850</b>	<b>\$ 3,095,947</b>	<b>\$ 3,130,577</b>	<b>\$ 3,158,866</b>	<b>\$ 3,122,736</b>	<b>\$ 3,206,780</b>	<b>\$ 3,212,640</b>	<b>\$ 3,225,450</b>

**Deferred Compensation Plan**  
**Schedule of Invested Assets and Changes in Invested Assets**  
**for the Month Ended**  
**April 30, 2014**

	<u>Beginning Invested Assets</u>	<u>Investment Income</u>	<u>Net Contributions (Withdrawals)</u>	<u>Transfers In (Out)</u>	<u>Ending Invested Assets</u>	<u>% Change in Invested Assets</u>	<u>% Change due to Investment Income (3)</u>
<b>Participant Options</b>							
T. Rowe Price							
Interest Income Fund	\$ 181,286,705	\$ 398,762	\$ (314,165)	\$ (725,870)	\$ 180,645,432	-0.35%	0.22%
Small Cap Stock Fund	100,604,682	(3,958,375)	252,450	80,184	96,978,941	-3.60%	-3.93%
Alaska Balanced Trust	12,655,548	79,825	109,059	244,324	13,088,756	3.42%	0.62%
Long Term Balanced Fund	49,152,758	242,861	121,580	(116,101)	49,401,098	0.51%	0.49%
AK Target Date 2010 Trust	2,628,958	12,412	48,944	121,630	2,811,944	6.96%	0.46%
AK Target Date 2015 Trust	9,431,686	41,922	102,934	71,782	9,648,324	2.30%	0.44%
AK Target Date 2020 Trust	12,608,301	51,684	225,322	(387,722)	12,497,585	-0.88%	0.41%
AK Target Date 2025 Trust	6,201,344	26,145	166,743	46,421	6,440,653	3.86%	0.41%
AK Target Date 2030 Trust	3,907,826	15,048	91,548	(27,408)	3,987,014	2.03%	0.38%
AK Target Date 2035 Trust	2,654,155	9,199	69,742	(1,424)	2,731,672	2.92%	0.34%
AK Target Date 2040 Trust	2,552,768	7,340	97,131	(136,645)	2,520,594	-1.26%	0.29%
AK Target Date 2045 Trust	1,406,176	5,172	76,015	(11,368)	1,475,995	4.97%	0.36%
AK Target Date 2050 Trust	1,093,355	4,225	40,912	36,340	1,174,832	7.45%	0.37%
AK Target Date 2055 Trust	1,653,350	7,027	29,166	39,264	1,728,807	4.56%	0.42%
Total Investments with T. Rowe Price	<u>387,837,612</u>	<u>(3,056,753)</u>	<u>1,117,381</u>	<u>(766,593)</u>	<u>385,131,647</u>		
State Street Global Advisors							
State Street Treasury Money Market Fund - Inst.	12,994,524	1	(145,894)	(13,710)	12,834,921	-1.23%	0.00%
Russell 3000 Index	17,818,137	30,011	190,379	72,787	18,111,314	1.65%	0.17%
US Real Estate Investment Trust Index	8,669,549	329,847	30,590	659,713	9,689,699	11.77%	3.66%
World Equity Ex-US Index	8,469,100	114,801	114,465	(65,227)	8,633,139	1.94%	1.35%
Long US Treasury Bond Index	3,083,011	61,577	1,432	(77,693)	3,068,327	-0.48%	2.02%
US Treasury Inflation Protected Securities Index	7,631,681	99,100	(103,893)	153,026	7,779,914	1.94%	1.29%
World Government Bond Ex-US Index	3,371,349	44,548	(15,407)	121,057	3,521,547	4.46%	1.30%
Global Balanced Fund	39,779,699	382,668	200,835	30,761	40,393,963	1.54%	0.96%
Total Investments with SSGA	<u>101,817,050</u>	<u>1,062,553</u>	<u>272,507</u>	<u>880,714</u>	<u>104,032,824</u>		
BlackRock							
S&P 500 Index Fund	166,179,435	1,212,099	310,997	(875,054)	166,827,477	0.39%	0.73%
Government/Credit Bond Fund	27,865,760	217,691	36,361	63,990	28,183,802	1.14%	0.78%
Intermediate Bond Fund	14,262,876	51,503	14,987	99,305	14,428,671	1.16%	0.36%
Total Investments with Barclays Global Investors	<u>208,308,071</u>	<u>1,481,293</u>	<u>362,345</u>	<u>(711,759)</u>	<u>209,439,950</u>		
Brandes Institutional							
International Equity Fund Fee	47,607,544	809,240	183,648	538,940	49,139,372	3.22%	1.69%
RCM							
Sustainable Core Opportunities Fund	14,890,137	(17,405)	125,661	58,698	15,057,091	1.12%	-0.12%
<b>Total All Funds</b>	<u>\$ 760,460,414</u>	<u>\$ 278,928</u>	<u>\$ 2,061,542</u>	<u>\$ -</u>	<u>\$ 762,800,884</u>	0.31%	0.04%

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.  
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

**Deferred Compensation Plan**  
**Schedule of Invested Assets with**  
**Schedule of Investment Income and Changes in Invested Assets**  
**By Month Through the Month Ended**  
**April 30, 2014**  
**\$ (Thousands)**

<b><u>Invested Assets (at fair value)</u></b>	<b><u>July</u></b>	<b><u>August</u></b>	<b><u>September</u></b>	<b><u>October</u></b>	<b><u>November</u></b>	<b><u>December</u></b>	<b><u>January</u></b>	<b><u>February</u></b>	<b><u>March</u></b>	<b><u>April</u></b>
Investments with T. Rowe Price										
Interest Income Fund										
Cash and cash equivalents	\$ 11,345	\$ 11,415	\$ 12,731	\$ 10,816	\$ 10,657	\$ 11,113	\$ 11,113	\$ 7,754	\$ 7,897	\$ 7,012
Synthetic Investment Contracts	169,734	170,359	170,840	171,241	171,188	171,572	169,704	172,431	173,390	173,633
Small Cap Stock Fund	89,670	88,064	91,093	95,155	96,701	98,962	96,836	101,553	100,605	96,979
Long Term Balanced Fund	43,536	42,879	44,302	45,598	46,428	47,039	12,523	12,654	12,656	13,089
Alaska Balanced Trust	11,946	11,996	12,405	12,970	12,539	12,516	46,988	48,894	49,153	49,401
AK Target Date 2010 Trust	2,227	2,246	2,235	2,791	2,952	2,985	2,822	2,930	2,629	2,812
AK Target Date 2015 Trust	6,914	6,888	7,233	7,372	7,560	7,734	8,220	8,566	9,432	9,648
AK Target Date 2020 Trust	9,552	9,463	10,105	10,681	11,154	11,221	11,133	11,740	12,608	12,498
AK Target Date 2025 Trust	4,235	4,116	4,409	4,694	4,817	5,265	5,543	5,921	6,201	6,441
AK Target Date 2030 Trust	2,861	2,787	3,228	3,330	3,547	3,689	3,582	3,855	3,908	3,987
AK Target Date 2035 Trust	1,917	1,909	2,026	2,296	2,314	2,402	2,449	2,617	2,654	2,732
AK Target Date 2040 Trust	1,847	1,848	2,015	2,003	2,082	2,123	2,204	2,392	2,553	2,521
AK Target Date 2045 Trust	1,167	1,168	1,234	1,321	1,368	1,484	1,263	1,371	1,406	1,476
AK Target Date 2050 Trust	696	693	806	1,060	1,063	1,120	1,034	1,114	1,093	1,175
AK Target Date 2055 Trust	957	1,004	1,301	1,233	1,346	1,393	1,443	1,498	1,653	1,729
State Street Global Advisors										
State Street Treasury Money Market Fund - Inst.	11,018	11,623	12,368	11,691	12,039	11,399	11,647	12,208	12,995	12,835
Russell 3000 Index	11,623	11,547	12,588	13,491	14,934	16,241	16,193	17,409	17,818	18,111
US Real Estate Investment Trust Index	11,916	9,673	9,445	9,396	8,193	8,172	8,232	8,829	8,670	9,690
World Equity Ex-US Index	7,974	8,051	8,810	9,316	9,675	9,512	8,615	8,810	8,469	8,633
Long US Treasury Bond Index	2,779	2,580	2,597	2,460	2,286	2,221	2,771	3,106	3,083	3,068
US Treasury Inflation Protected Securities Index	8,247	8,054	7,771	7,510	7,213	7,085	7,428	7,562	7,632	7,780
World Government Bond Ex-US Index	2,651	2,697	2,779	2,916	2,921	2,885	3,069	3,270	3,371	3,522
Global Balanced Fund	38,863	37,889	38,757	39,466	39,515	39,958	38,661	40,018	39,780	40,394
Investments with BlackRock										
S&P 500 Index Fund	153,030	148,443	151,690	158,955	163,114	167,405	160,466	166,665	166,179	166,827
Government/Credit Bond Fund	29,734	28,505	28,733	28,216	28,043	27,699	27,883	27,877	27,866	28,184
Intermediate Bond Fund	15,521	14,923	14,961	14,916	14,978	14,586	14,640	14,481	14,263	14,429
Investments with Brandes Institutional										
International Equity Fund Fee	40,205	40,140	43,336	45,514	45,956	47,020	44,628	46,929	47,608	49,139
Investments with RCM										
Sustainable Opportunities Fund	13,672	13,217	13,955	14,609	14,841	15,244	14,454	15,077	14,890	15,057
<b>Total Invested Assets</b>	<b>\$ 705,837</b>	<b>\$ 694,176</b>	<b>\$ 713,752</b>	<b>\$ 731,018</b>	<b>\$ 739,423</b>	<b>\$ 750,042</b>	<b>\$ 735,544</b>	<b>\$ 757,532</b>	<b>\$ 760,460</b>	<b>\$ 762,801</b>
<b><u>Change in Invested Assets</u></b>										
Beginning Assets	\$ 685,407	\$ 705,837	\$ 694,176	\$ 713,752	\$ 731,018	\$ 739,423	\$ 750,042	\$ 735,544	\$ 757,532	\$ 760,460
Investment Earnings	20,753	(10,607)	20,016	17,916	10,086	8,838	(11,666)	21,690	2,125	279
Net Contributions (Withdrawals)	(323)	(1,055)	(440)	(649)	(1,681)	1,780	(2,832)	298	803	2,062
<b>Ending Invested Assets</b>	<b>\$ 705,837</b>	<b>\$ 694,176</b>	<b>\$ 713,752</b>	<b>\$ 731,018</b>	<b>\$ 739,423</b>	<b>\$ 750,042</b>	<b>\$ 735,544</b>	<b>\$ 757,532</b>	<b>\$ 760,460</b>	<b>\$ 762,801</b>

**Defined Contribution Retirement - Participant Directed PERS**  
**Schedule of Investment Income and Changes in Invested Assets**  
**for the Month Ended**  
**April 30, 2014**

	<b>Beginning Invested Assets</b>	<b>Investment Income</b>	<b>Net Contributions (Withdrawals)</b>	<b>Transfers In (Out)</b>	<b>Ending Invested Assets</b>	<b>% Change in Invested Assets</b>	<b>% Change due to Investment Income (3)</b>
<b>Interim Transit Account</b>							
Treasury Division <sup>(1)</sup>							
Cash and Cash Equivalents	\$ 6,243,737	\$ 1,211	\$ 1,800,137	\$ -	\$ 8,045,084	28.85%	0.02%
<b>Participant Options</b>							
T. Rowe Price							
Alaska Money Market	4,048,213	35	25,038	(86,769)	3,986,516	-1.52%	0.00%
Small Cap Stock Fund	47,503,257	(1,890,036)	377,817	1,787,721	47,778,759	0.58%	-3.89%
Alaska Balanced Trust	1,618,880	9,903	16,322	(23,690)	1,621,415	0.16%	0.61%
Long Term Balanced Fund	20,654,298	103,486	92,473	174,790	21,025,046	1.80%	0.50%
AK Target Date 2010 Trust	1,505,650	6,973	26,716	(0)	1,539,339	2.24%	0.46%
AK Target Date 2015 Trust	5,995,217	27,112	101,344	32,115	6,155,789	2.68%	0.45%
AK Target Date 2020 Trust	12,228,751	53,718	340,759	16,657	12,639,886	3.36%	0.43%
AK Target Date 2025 Trust	17,393,251	71,522	368,480	(1,649)	17,831,604	2.52%	0.41%
AK Target Date 2030 Trust	17,473,328	68,630	519,764	(98,369)	17,963,354	2.80%	0.39%
AK Target Date 2035 Trust	19,909,853	75,867	449,831	11,283	20,446,834	2.70%	0.38%
AK Target Date 2040 Trust	25,761,740	90,162	489,486	97,230	26,438,619	2.63%	0.35%
AK Target Date 2045 Trust	30,871,474	108,268	704,495	6,578	31,690,815	2.65%	0.35%
AK Target Date 2050 Trust	35,529,955	125,249	929,522	(48,992)	36,535,735	2.83%	0.35%
AK Target Date 2055 Trust	16,641,782	59,149	635,922	3,103	17,339,956	4.20%	0.35%
Total Investments with T. Rowe Price	257,135,649	(1,089,961)	5,077,970	1,870,009	262,993,666		
State Street Global Advisors							
Money Market	1,239,918	0	22,007	(58,248)	1,203,677	-2.92%	0.00%
S&P 500 Stock Index Fund Series A	39,228,548	267,052	356,759	(2,369,797)	37,482,562	-4.45%	0.70%
Russell 3000 Index	28,495,006	52,911	179,550	1,001,655	29,729,123	4.33%	0.18%
US Real Estate Investment Trust Index	6,534,110	241,193	52,853	(80,105)	6,748,050	3.27%	3.70%
World Equity Ex-US Index	33,705,389	421,247	247,355	(2,954,280)	31,419,711	-6.78%	1.30%
Long US Treasury Bond Index	440,171	9,830	(10,752)	41,458	480,706	9.21%	2.16%
US Treasury Inflation Protected Securities Index	2,886,332	38,289	9,255	(22,792)	2,911,084	0.86%	1.33%
World Government Bond Ex-US Index	5,261,587	68,669	14,744	29,471	5,374,472	2.15%	1.30%
Global Balanced Fund	12,245,095	111,747	74,203	(739,083)	11,691,962	-4.52%	0.94%
Total Investments with SSGA	130,036,156	1,210,937	945,974	(5,151,720)	127,041,347		
BlackRock							
Government/Credit Bond Fund	25,462,159	200,871	114,364	328,945	26,106,338	2.53%	0.78%
Intermediate Bond Fund	383,058	1,434	7,772	6,587	398,850	4.12%	0.37%
Total Investments with Barclays Global Investors	25,845,217	202,305	122,136	335,531	26,505,188		
Brandes Institutional							
International Equity Fund Fee	30,196,639	557,166	230,704	3,034,610	34,019,120	12.66%	1.75%
RCM							
Sustainable Core Opportunities Fund	4,843,656	(6,114)	28,135	(88,430)	4,777,247	-1.37%	-0.13%
<b>Total All Funds</b>	<b>\$ 454,301,053</b>	<b>\$ 875,544</b>	<b>\$ 8,205,055</b>	<b>\$ -</b>	<b>\$ 463,381,652</b>	<b>2.00%</b>	<b>0.19%</b>

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.

(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

**Defined Contribution Retirement - Participant Directed PERS**  
**Schedule of Invested Assets with**  
**Schedule of Investment Income and Changes in Invested Assets**  
**By Month Through the Month Ended**  
**April 30, 2014**  
**\$ (Thousands)**

<b><u>Invested Assets (at fair value)</u></b>	<b><u>July</u></b>	<b><u>August</u></b>	<b><u>September</u></b>	<b><u>October</u></b>	<b><u>November</u></b>	<b><u>December</u></b>	<b><u>January</u></b>	<b><u>February</u></b>	<b><u>March</u></b>	<b><u>April</u></b>
Investments with Treasury Division										
Cash and cash equivalents	\$ 6,509	\$ 8,935	\$ 6,429	\$ 6,247	\$ 6,200	\$ 5,990	\$ 6,028	\$ 6,396	\$ 6,244	\$ 8,045
Investments with T. Rowe Price										
Alaska Money Market	3,807	3,622	3,683	3,631	3,618	3,603	3,689	3,909	4,048	3,987
Small Cap Stock Fund	43,786	42,489	44,174	44,876	45,095	45,835	44,616	46,989	47,503	47,779
Alaska Balanced Trust	1,204	1,197	1,272	1,362	1,393	1,531	1,429	1,473	1,619	1,621
Long Term Balanced Fund	9,576	9,141	10,156	11,586	13,066	15,025	17,011	19,442	20,654	21,025
AK Target Date 2010 Trust	1,154	1,170	1,231	1,304	1,348	1,399	1,402	1,476	1,506	1,539
AK Target Date 2015 Trust	4,535	4,491	4,780	5,124	5,257	5,459	5,519	5,861	5,995	6,156
AK Target Date 2020 Trust	9,108	9,013	9,574	10,228	10,638	11,098	11,169	11,855	12,229	12,640
AK Target Date 2025 Trust	12,873	12,843	13,765	14,663	15,148	15,832	15,940	16,933	17,393	17,832
AK Target Date 2030 Trust	13,000	12,924	13,761	14,753	15,298	15,974	16,021	16,962	17,473	17,963
AK Target Date 2035 Trust	14,480	14,367	15,365	16,444	17,159	18,068	18,088	19,329	19,910	20,447
AK Target Date 2040 Trust	19,069	18,789	20,205	21,645	22,444	23,603	23,515	25,110	25,762	26,439
AK Target Date 2045 Trust	22,509	22,380	24,126	25,884	26,970	28,247	28,006	30,067	30,871	31,691
AK Target Date 2050 Trust	25,255	25,187	27,042	29,202	30,443	32,138	32,171	34,487	35,530	36,536
AK Target Date 2055 Trust	10,748	10,816	11,794	12,884	13,691	14,579	14,738	15,904	16,642	17,340
State Street Global Advisors										
Money Market	1,123	1,216	1,186	1,194	1,346	1,374	1,192	1,318	1,240	1,204
S&P 500 Stock Index Fund Series A	40,640	40,683	42,527	45,109	45,976	45,593	41,526	41,454	39,229	37,483
Russell 3000 Index	16,521	15,746	16,960	18,932	20,721	22,943	24,086	26,961	28,495	29,729
US Real Estate Investment Trust Index	5,659	5,440	5,718	6,132	5,820	6,041	6,350	6,734	6,534	6,748
World Equity Ex-US Index	30,062	30,157	33,352	36,287	37,832	38,199	35,278	35,985	33,705	31,420
Long US Treasury Bond Index	489	526	397	415	385	379	451	449	440	481
US Treasury Inflation Protected Securities Index	2,051	2,062	2,205	2,309	2,363	2,397	2,646	2,780	2,886	2,911
World Government Bond Ex-US Index	3,826	3,837	4,166	4,320	4,461	4,582	4,880	5,111	5,262	5,374
Global Balanced Fund	10,105	9,716	10,043	10,214	10,116	10,597	11,301	12,361	12,245	11,692
Investments with BlackRock										
Government/Credit Bond Fund	18,735	19,304	21,064	22,787	24,403	24,644	25,148	24,891	25,462	26,106
Intermediate Bond Fund	358	329	339	349	336	342	374	374	383	399
Investments with Brandes Institutional										
International Equity Fund Fee	31,724	30,379	30,057	27,982	24,863	24,812	24,956	27,267	30,197	34,019
Investments with RCM										
Sustainable Opportunities Fund	6,369	6,847	7,443	7,971	7,906	7,353	5,988	5,352	4,844	4,777
<b>Total Invested Assets</b>	<b>\$ 365,275</b>	<b>\$ 363,606</b>	<b>\$ 382,815</b>	<b>\$ 403,834</b>	<b>\$ 414,299</b>	<b>\$ 427,637</b>	<b>\$ 423,517</b>	<b>\$ 447,228</b>	<b>\$ 454,301</b>	<b>\$ 463,382</b>
<b><u>Change in Invested Assets</u></b>										
Beginning Assets	\$ 344,683	\$ 365,275	\$ 363,606	\$ 382,815	\$ 403,834	\$ 414,299	\$ 427,637	\$ 423,517	\$ 447,228	\$ 454,301
Investment Earnings	14,896	(7,398)	15,627	13,072	6,644	6,606	(9,962)	17,024	1,195	876
Net Contributions (Withdrawals)	5,696	5,728	3,581	7,947	3,822	6,733	5,842	6,688	5,877	8,205
<b>Ending Invested Assets</b>	<b>\$ 365,275</b>	<b>\$ 363,606</b>	<b>\$ 382,815</b>	<b>\$ 403,834</b>	<b>\$ 414,299</b>	<b>\$ 427,637</b>	<b>\$ 423,517</b>	<b>\$ 447,228</b>	<b>\$ 454,301</b>	<b>\$ 463,382</b>



**Defined Contribution Retirement - Participant Directed TRS**  
**Schedule of Investment Income and Changes in Invested Assets**  
**for the Month Ended**  
**April 30, 2014**

	<b>Beginning Invested Assets</b>	<b>Investment Income</b>	<b>Net Contributions (Withdrawals)</b>	<b>Transfers In (Out)</b>	<b>Ending Invested Assets</b>	<b>% Change in Invested Assets</b>	<b>% Change due to Investment Income (3)</b>
<b>Interim Transit Account</b>							
Treasury Division <sup>(1)</sup>							
Cash and Cash Equivalents	\$ 2,069,166	\$ 417	\$ 9,405	\$ -	\$ 2,078,988	0.47%	0.02%
<b>Participant Options</b>							
T. Rowe Price							
Alaska Money Market	1,519,618	13	21,905	39,014	1,580,550	4.01%	0.00%
Small Cap Stock Fund	18,622,423	(742,197)	172,032	844,152	18,896,410	1.47%	-3.88%
Alaska Balanced Trust	237,804	1,331	(12,528)	(5,142)	221,465	-6.87%	0.58%
Long Term Balanced Fund	10,366,037	52,041	87,707	84,494	10,590,279	2.16%	0.50%
AK Target Date 2010 Trust	397,781	1,991	5,772	52,001	457,545	15.02%	0.47%
AK Target Date 2015 Trust	1,815,768	8,403	46,574	-	1,870,745	3.03%	0.46%
AK Target Date 2020 Trust	4,137,963	18,547	101,424	-	4,257,934	2.90%	0.44%
AK Target Date 2025 Trust	5,504,118	23,265	147,191	-	5,674,574	3.10%	0.42%
AK Target Date 2030 Trust	5,983,591	24,347	163,527	-	6,171,465	3.14%	0.40%
AK Target Date 2035 Trust	9,248,236	35,682	229,191	(70,320)	9,442,789	2.10%	0.38%
AK Target Date 2040 Trust	9,924,188	36,113	248,102	10,291	10,218,694	2.97%	0.36%
AK Target Date 2045 Trust	17,542,967	62,086	363,630	(15,118)	17,953,565	2.34%	0.35%
AK Target Date 2050 Trust	23,329,731	83,689	505,503	(36,539)	23,882,384	2.37%	0.36%
AK Target Date 2055 Trust	4,025,451	15,190	198,692	(3,379)	4,235,954	5.23%	0.37%
Total Investments with T. Rowe Price	112,655,676	(379,499)	2,278,722	899,454	115,454,353		
State Street Global Advisors							
Money Market	141,130	-	603	(1,274)	140,459	-0.48%	0.00%
S&P 500 Stock Index Fund Series A	13,581,229	93,611	129,964	(667,314)	13,137,490	-3.27%	0.70%
Russell 3000 Index	14,239,540	21,158	131,715	(308,981)	14,083,432	-1.10%	0.15%
US Real Estate Investment Trust Index	2,400,638	89,077	23,837	(31,238)	2,482,314	3.40%	3.72%
World Equity Ex-US Index	14,447,002	178,914	125,300	(1,434,244)	13,316,972	-7.82%	1.30%
Long US Treasury Bond Index	87,031	1,754	1,288	(636)	89,437	2.76%	2.01%
US Treasury Inflation Protected Securities Index	1,083,384	14,512	9,365	1,138	1,108,399	2.31%	1.33%
World Government Bond Ex-US Index	2,399,739	31,353	19,398	11,496	2,461,986	2.59%	1.30%
Global Balanced Fund	6,707,147	63,996	59,199	(73,932)	6,756,410	0.73%	0.96%
Total Investments with SSGA	55,086,840	494,375	500,669	(2,504,985)	53,576,899		
BlackRock							
Government/Credit Bond Fund	11,769,114	93,252	98,888	222,478	12,183,732	3.52%	0.78%
Intermediate Bond Fund	82,987	302	922	141	84,352	1.64%	0.36%
Total Investments with Barclays Global Investors	11,852,101	93,554	99,810	222,619	12,268,084		
Brandes Institutional							
International Equity Fund Fee	10,988,472	207,270	109,805	1,416,208	12,721,755	15.77%	1.76%
RCM							
Sustainable Core Opportunities Fund	1,214,115	(1,731)	13,418	(33,296)	1,192,506	-1.78%	-0.14%
<b>Total All Funds</b>	<b>\$ 193,866,370</b>	<b>\$ 414,386</b>	<b>\$ 3,011,829</b>	<b>\$ -</b>	<b>\$ 197,292,585</b>	<b>1.77%</b>	<b>0.21%</b>

Notes: (1) Represents net contributions in transit to/from the record keeper. (2) Source data provided by the record keeper, Great West Life.  
(3) Income divided by beginning assets plus half of net contributions/(withdrawals). Actual returns are calculated by Callan and Associates.

**Defined Contribution Retirement - Participant Directed TRS**  
**Schedule of Invested Assets with**  
**Schedule of Investment Income and Changes in Invested Assets**  
**By Month Through the Month Ended**  
**April 30, 2014**  
**\$ (Thousands)**

<b><u>Invested Assets (at fair value)</u></b>	<b>July</b>	<b>August</b>	<b>September</b>	<b>October</b>	<b>November</b>	<b>December</b>	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>
Investments with Treasury Division										
Cash and cash equivalents	\$ 2,282	\$ 2,189	\$ 2,194	\$ 2,374	\$ 2,346	\$ 2,168	\$ 2,094	\$ 2,496	\$ 2,069	\$ 2,079
Investments with T. Rowe Price										
Alaska Money Market	1,707	1,500	1,471	1,521	1,542	1,580	1,583	1,570	1,520	1,581
Small Cap Stock Fund	17,849	17,254	17,499	17,475	17,447	17,635	17,209	18,233	18,622	18,896
Alaska Balanced Trust	206	197	203	207	214	221	220	231	238	221
Long Term Balanced Fund	5,396	5,033	5,661	6,482	7,233	8,109	8,904	9,911	10,366	10,590
AK Target Date 2010 Trust	5,396	337	336	356	365	372	376	391	398	458
AK Target Date 2015 Trust	1,492	1,471	1,541	1,566	1,628	1,703	1,700	1,797	1,816	1,871
AK Target Date 2020 Trust	3,088	3,091	3,246	3,459	3,622	3,784	3,825	4,021	4,138	4,258
AK Target Date 2025 Trust	4,133	3,975	4,195	4,497	4,709	4,912	4,975	5,327	5,504	5,675
AK Target Date 2030 Trust	4,416	4,308	4,523	4,821	5,074	5,348	5,420	5,783	5,984	6,171
AK Target Date 2035 Trust	7,017	6,854	7,111	7,654	8,018	8,419	8,456	8,984	9,248	9,443
AK Target Date 2040 Trust	7,583	7,367	7,730	8,244	8,550	8,973	8,980	9,587	9,924	10,219
AK Target Date 2045 Trust	13,699	13,325	14,006	14,911	15,544	16,241	16,071	17,093	17,543	17,954
AK Target Date 2050 Trust	18,269	17,567	18,272	19,491	20,415	21,391	21,334	22,727	23,330	23,882
AK Target Date 2055 Trust	2,383	2,321	2,480	2,783	3,020	3,305	3,471	3,789	4,025	4,236
State Street Global Advisors										
Money Market	107	107	106	109	139	137	138	145	141	140
S&P 500 Stock Index Fund Series A	15,919	15,668	15,800	16,288	16,388	15,931	14,256	14,158	13,581	13,137
Russell 3000 Index	7,067	7,115	8,134	9,598	11,020	12,276	12,799	14,095	14,240	14,083
US Real Estate Investment Trust Index	2,063	1,978	2,059	2,207	2,129	2,177	2,316	2,416	2,401	2,482
World Equity Ex-US Index	13,165	13,039	14,160	15,175	15,736	15,866	14,907	15,392	14,447	13,317
Long US Treasury Bond Index	93	89	90	93	75	75	80	82	87	89
US Treasury Inflation Protected Securities Index	868	887	940	961	976	980	1,044	1,065	1,083	1,108
World Government Bond Ex-US Index	1,902	1,903	2,017	2,084	2,122	2,135	2,233	2,322	2,400	2,462
Global Balanced Fund	6,849	6,621	6,787	6,901	6,853	6,779	6,709	6,720	6,707	6,756
Investments with BlackRock										
Government/Credit Bond Fund	9,117	9,415	10,309	11,311	12,180	12,093	11,957	11,586	11,769	12,184
Intermediate Bond Fund	105	99	98	101	80	80	82	83	83	84
Investments with Brandes Institutional										
International Equity Fund Fee	11,308	10,681	10,098	9,082	7,932	8,107	8,458	9,612	10,988	12,722
Investments with RCM										
Sustainable Opportunities Fund	2,034	2,069	2,064	2,024	1,892	1,716	1,362	1,329	1,214	1,193
<b>Total Invested Assets</b>	<b>\$ 160,486</b>	<b>\$ 156,462</b>	<b>\$ 163,132</b>	<b>\$ 171,771</b>	<b>\$ 177,249</b>	<b>\$ 182,510</b>	<b>\$ 180,959</b>	<b>\$ 190,947</b>	<b>\$ 193,866</b>	<b>\$ 197,293</b>
<b><u>Change in Invested Assets</u></b>										
Beginning Assets	\$ 153,359	\$ 160,486	\$ 156,462	\$ 163,132	\$ 171,771	\$ 177,249	\$ 182,510	\$ 180,959	\$ 190,947	\$ 193,866
Investment Earnings	6,614	(3,226)	6,654	5,517	2,836	2,820	(4,228)	7,212	510	414
Net Contributions (Withdrawals)	513	(799)	16	3,122	2,642	2,441	2,677	2,776	2,410	3,012
<b>Ending Invested Assets</b>	<b>\$ 160,486</b>	<b>\$ 156,462</b>	<b>\$ 163,132</b>	<b>\$ 171,771</b>	<b>\$ 177,249</b>	<b>\$ 182,510</b>	<b>\$ 180,959</b>	<b>\$ 190,947</b>	<b>\$ 193,866</b>	<b>\$ 197,293</b>

**ALASKA RETIREMENT MANAGEMENT BOARD**

**FINANCIAL REPORT**

**(Supplement to the Treasury Division Report)**

**As of April 30, 2014**

**Prepared by the Division of Retirement & Benefits**

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**SCHEDULE OF NON-INVESTMENT CHANGES BY FUND**  
(Supplement to the Treasury Division Report)  
For the Ten Months Ending April 30, 2014

	Contributions				Expenditures				Net
	Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Administrative & Investment	Total Expenditures	Contributions/ (Withdrawals)
<b><u>Public Employees' Retirement System (PERS)</u></b>									
<u>Defined Benefit Plans:</u>									
Retirement Trust	\$ 266,931,706	\$ 176,793,907	\$ 45,170	\$ 443,770,783	\$ (528,461,196)	\$ (9,123,772)	\$ (34,615,399)	\$ (572,200,367)	\$ (128,429,584)
Retirement Health Care Trust	175,258,341	135,679,045	9,854,570	320,791,956	(299,770,299)	-	(8,765,193)	(308,535,492)	12,256,464
Total Defined Benefit Plans	442,190,047	312,472,952	9,899,740	764,562,739	(828,231,495)	(9,123,772)	(43,380,592)	(880,735,859)	(116,173,120)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	82,805,277	-	-	82,805,277	-	(21,743,769)	(942,915)	(22,686,684)	60,118,593
Health Reimbursement Arrangement <sup>(a)</sup>	21,810,145	-	-	21,810,145	-	-	(9,298)	(9,298)	21,800,847
Retiree Medical Plan <sup>(a)</sup>	3,112,460	-	-	3,112,460	-	-	(9,668)	(9,668)	3,102,792
<u>Occupational Death and Disability: <sup>(a)</sup></u>									
Public Employees	1,102,409	-	-	1,102,409	(60,962)	-	-	(60,962)	1,041,447
Police and Firefighters	836,236	-	-	836,236	(39,472)	-	-	(39,472)	796,764
Total Defined Contribution Plans	109,666,527	-	-	109,666,527	(100,434)	(21,743,769)	(961,881)	(22,806,084)	86,860,443
<b>Total PERS</b>	<b>551,856,574</b>	<b>312,472,952</b>	<b>9,899,740</b>	<b>874,229,266</b>	<b>(828,331,929)</b>	<b>(30,867,541)</b>	<b>(44,342,473)</b>	<b>(903,541,943)</b>	<b>(29,312,677)</b>
<b><u>Teachers' Retirement System (TRS)</u></b>									
<u>Defined Benefit Plans:</u>									
Retirement Trust	56,404,272	208,890,798	31,322	265,326,392	(326,992,136)	(1,789,102)	(14,019,442)	(342,800,680)	(77,474,288)
Retirement Health Care Trust	22,339,794	107,956,493	3,856,479	134,152,766	(99,054,656)	-	(3,229,045)	(102,283,701)	31,869,065
Total Defined Benefit Plans	78,744,066	316,847,291	3,887,801	399,479,158	(426,046,792)	(1,789,102)	(17,248,487)	(445,084,381)	(45,605,223)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	25,933,438	-	-	25,933,438	-	(6,942,868)	(181,900)	(7,124,768)	18,808,670
Health Reimbursement Arrangement <sup>(a)</sup>	5,495,444	-	-	5,495,444	-	-	(3,202)	(3,202)	5,492,242
Retiree Medical Plan <sup>(a)</sup>	831,663	-	-	831,663	-	-	(3,334)	(3,334)	828,329
Occupational Death and Disability <sup>(a)</sup>	42	-	-	42	-	-	-	-	42
Total Defined Contribution Plans	32,260,587	-	-	32,260,587	-	(6,942,868)	(188,436)	(7,131,304)	25,129,283
<b>Total TRS</b>	<b>111,004,653</b>	<b>316,847,291</b>	<b>3,887,801</b>	<b>431,739,745</b>	<b>(426,046,792)</b>	<b>(8,731,970)</b>	<b>(17,436,923)</b>	<b>(452,215,685)</b>	<b>(20,475,940)</b>
<b><u>Judicial Retirement System (JRS)</u></b>									
Defined Benefit Plan Retirement Trust	4,438,578	4,282,876	12	8,721,466	(8,794,147)	-	(368,712)	(9,162,859)	(441,393)
Defined Benefit Retirement Health Care Trust	584,421	177,445	27,628	789,494	(1,165,516)	-	(28,767)	(1,194,283)	(404,789)
<b>Total JRS</b>	<b>5,022,999</b>	<b>4,460,321</b>	<b>27,640</b>	<b>9,510,960</b>	<b>(9,959,663)</b>	<b>-</b>	<b>(397,479)</b>	<b>(10,357,142)</b>	<b>(846,182)</b>
<b><u>National Guard/Naval Militia Retirement System (NGNMRS)</u></b>									
Defined Benefit Plan Retirement Trust <sup>(a)</sup>	740,100	-	-	740,100	(1,415,064)	-	(239,349)	(1,654,413)	(914,313)
<b><u>Other Participant Directed Plans</u></b>									
Supplemental Annuity Plan	140,795,535	-	-	140,795,535	-	(139,914,906)	(6,161,510)	(146,076,416)	(5,280,881)
Deferred Compensation Plan	37,600,129	-	-	37,600,129	-	(38,587,548)	(1,049,706)	(39,637,254)	(2,037,125)
<b>Total All Funds</b>	<b>847,019,990</b>	<b>633,780,564</b>	<b>13,815,181</b>	<b>1,494,615,735</b>	<b>(1,265,753,448)</b>	<b>(218,101,965)</b>	<b>(69,627,440)</b>	<b>(1,553,482,853)</b>	<b>(58,867,118)</b>
Total Non-Participant Directed	559,885,611	633,780,564	13,815,181	1,207,481,356	(1,265,753,448)	(10,912,874)	(61,291,409)	(1,337,957,731)	(130,476,375)
Total Participant Directed	287,134,379	-	-	287,134,379	-	(207,189,091)	(8,336,031)	(215,525,122)	71,609,257
<b>Total All Funds</b>	<b>\$ 847,019,990</b>	<b>\$ 633,780,564</b>	<b>\$ 13,815,181</b>	<b>\$ 1,494,615,735</b>	<b>\$ (1,265,753,448)</b>	<b>\$ (218,101,965)</b>	<b>\$ (69,627,440)</b>	<b>\$ (1,553,482,853)</b>	<b>\$ (58,867,118)</b>

(a) Employer only contributions.

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**SCHEDULE OF NON-INVESTMENT CHANGES BY FUND**  
(Supplement to the Treasury Division Report)  
For the Month Ended April 30, 2014

	Contributions				Expenditures				Net
	Contributions EE and ER	State of Alaska	Other	Total Contributions	Benefits	Refunds	Administrative & Investment	Total Expenditures	Contributions/ (Withdrawals)
<b>Public Employees' Retirement System (PERS)</b>									
<u>Defined Benefit Plans:</u>									
Retirement Trust	\$ 33,362,288	\$ -	\$ -	\$ 33,362,288	\$ (51,826,778)	\$ (1,307,745)	\$ (6,309,617)	\$ (59,444,140)	\$ (26,081,852)
Retirement Health Care Trust	19,657,852	-	8,629,260	28,287,112	(33,774,668)	-	(1,066,176)	(34,840,844)	(6,553,732)
Total Defined Benefit Plans	53,020,140	-	8,629,260	61,649,400	(85,601,446)	(1,307,745)	(7,375,793)	(94,284,984)	(32,635,584)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	10,886,188	-	-	10,886,188	-	(2,529,198)	(151,935)	(2,681,133)	8,205,055
Health Reimbursement Arrangement <sup>(a)</sup>	2,893,973	-	-	2,893,973	-	-	-	-	2,893,973
Retiree Medical Plan <sup>(a)</sup>	397,207	-	-	397,207	-	-	-	-	397,207
Occupational Death and Disability: <sup>(a)</sup>									
Public Employees	148,664	-	-	148,664	(12,953)	-	-	(12,953)	135,711
Police and Firefighters	98,143	-	-	98,143	(3,949)	-	-	(3,949)	94,194
Total Defined Contribution Plans	14,424,175	-	-	14,424,175	(16,902)	(2,529,198)	(151,935)	(2,698,035)	11,726,140
<b>Total PERS</b>	<b>67,444,315</b>	<b>-</b>	<b>8,629,260</b>	<b>76,073,575</b>	<b>(85,618,348)</b>	<b>(3,836,943)</b>	<b>(7,527,728)</b>	<b>(96,983,019)</b>	<b>(20,909,444)</b>
<b>Teachers' Retirement System (TRS)</b>									
<u>Defined Benefit Plans:</u>									
Retirement Trust	7,482,874	-	780	7,483,654	(32,224,842)	(95,563)	(2,569,043)	(34,889,448)	(27,405,794)
Retirement Health Care Trust	2,141,640	-	3,376,595	5,518,235	(10,482,455)	-	(401,962)	(10,884,417)	(5,366,182)
Total Defined Benefit Plans	9,624,514	-	3,377,375	13,001,889	(42,707,297)	(95,563)	(2,971,005)	(45,773,865)	(32,771,976)
<u>Defined Contribution Plans:</u>									
Participant Directed Retirement	3,270,689	-	-	3,270,689	-	(215,500)	(43,360)	(258,860)	3,011,829
Health Reimbursement Arrangement <sup>(a)</sup>	665,075	-	-	665,075	-	-	-	-	665,075
Retiree Medical Plan <sup>(a)</sup>	102,523	-	-	102,523	-	-	-	-	102,523
Occupational Death and Disability <sup>(a)</sup>	9	-	-	9	-	-	-	-	9
Total Defined Contribution Plans	4,038,296	-	-	4,038,296	-	(215,500)	(43,360)	(258,860)	3,779,436
<b>Total TRS</b>	<b>13,662,810</b>	<b>-</b>	<b>3,377,375</b>	<b>17,040,185</b>	<b>(42,707,297)</b>	<b>(311,063)</b>	<b>(3,014,365)</b>	<b>(46,032,725)</b>	<b>(28,992,540)</b>
<b>Judicial Retirement System (JRS)</b>									
<u>Defined Benefit Plan Retirement Trust</u>									
Defined Benefit Retirement Health Care Trust	454,430	-	12	454,442	(863,448)	-	(74,598)	(938,046)	(483,604)
Defined Benefit Retirement Health Care Trust	53,858	-	24,232	78,090	(73,636)	-	(3,847)	(77,483)	607
<b>Total JRS</b>	<b>508,288</b>	<b>-</b>	<b>24,244</b>	<b>532,532</b>	<b>(937,084)</b>	<b>-</b>	<b>(78,445)</b>	<b>(1,015,529)</b>	<b>(482,997)</b>
<b>National Guard/Naval Militia Retirement System (NGNMRS)</b>									
<u>Defined Benefit Plan Retirement Trust <sup>(a)</sup></u>									
Defined Benefit Plan Retirement Trust <sup>(a)</sup>	-	-	-	-	(121,040)	-	(26,892)	(147,932)	(147,932)
<b>Other Participant Directed Plans</b>									
<u>Supplemental Annuity Plan</u>									
Supplemental Annuity Plan	14,383,099	-	-	14,383,099	-	(13,623,645)	(514,240)	(14,137,885)	245,214
<u>Deferred Compensation Plan</u>									
Deferred Compensation Plan	5,521,183	-	-	5,521,183	-	(3,352,003)	(107,638)	(3,459,641)	2,061,542
<b>Total All Funds</b>	<b>101,519,695</b>	<b>-</b>	<b>12,030,879</b>	<b>113,550,574</b>	<b>(129,383,769)</b>	<b>(21,123,654)</b>	<b>(11,269,308)</b>	<b>(161,776,731)</b>	<b>(48,226,157)</b>
Total Non-Participant Directed	67,458,536	-	12,030,879	79,489,415	(129,383,769)	(1,403,308)	(10,452,135)	(141,239,212)	(61,749,797)
Total Participant Directed	34,061,159	-	-	34,061,159	-	(19,720,346)	(817,173)	(20,537,519)	13,523,640
<b>Total All Funds</b>	<b>\$ 101,519,695</b>	<b>\$ -</b>	<b>\$ 12,030,879</b>	<b>\$ 113,550,574</b>	<b>\$ (129,383,769)</b>	<b>\$ (21,123,654)</b>	<b>\$ (11,269,308)</b>	<b>\$ (161,776,731)</b>	<b>\$ (48,226,157)</b>

(a) Employer only contributions.

# Abbott Capital Management, LLC

**Mandate:** Private Equity

**Hired:** 1998

Firm Information	Investment Approach	Total ARMB Mandate
<p>Abbott is a leading independent investment management firm founded in 1986. Abbott creates and manages private equity separate accounts and fund of funds for institutional investors worldwide. The firm currently manages over \$7 billion. Abbott focuses on private equity investments in venture capital, buyouts and special situations.</p> <p>Abbott is registered as an investment advisor with the SEC in the United States. In 2011, Abbott formed Abbott Capital Management (Europe), LLP (“Abbott Europe”) as a subsidiary located in London.</p> <p>Abbott has 45 professionals including 15 investment professionals.</p> <p><b>Key Executives:</b> Jonathan Roth, President Thaddeus Gray, Chief Investment Officer Tim Maloney, Managing Director</p>	<p>Abbott’s decision-making process uses a team approach; no one individual has authority to make decisions regarding portfolio management without the input of other senior professionals.</p> <p>Abbott is extremely selective in choosing private equity investment funds. Every partnership must met rigid standards regarding the overall quality of the investment opportunity, such as:</p> <ul style="list-style-type: none"> <li>▪ Target markets that can support private equity investing;</li> <li>▪ Long-term and proven private equity business model;</li> <li>▪ Stable management team operating under a consistent firm culture;</li> <li>▪ Proven access to high-quality investment opportunities and resources;</li> <li>▪ Strong track record.</li> </ul> <p>Final investment decisions are made using a consensus-driven approach. Investment decisions are made based on a team effort emphasizing the ongoing responsibility and accountability of Abbott’s investment staff with analysis and further review designed to meet the rigorous levels of Abbott’s managing directors and investment staff.</p> <p><b>Benchmark:</b> Russell 3000 +350 basis points and Thomson Reuters vintage year peer comparison.</p>	<p><b>Assets Under Management: (3/31/14)</b> Commitments: \$1,915 million Market Value: \$ 741 million</p> <p>FY 13 Management Fees: \$1.9 million</p>

**Concerns:** None

## Performance

The since inception internal rate of return (IRR) for Abbott’s ARMB portfolio is 9.5% through 03/31/2014, which compares favorably with the public market equivalent return for the Russell 3000 of 5.6%.

In Callan’s 2013 vintage year comparison of the Abbott portfolio and the Thomson Reuters database from 1998 through 2009, the Abbott portfolio is in the top quartile for 7 years and in the second quartile for 5 years.

## **Alaska Retirement Management Board**

*June 26, 2014*



# Important Disclosure Statements

**Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary. There can be no assurance that the Alaska Retirement Management Board (“ARMB”) portfolio, its Portfolio Funds, or the private and public equity markets in general will perform similarly to prior investments or Portfolio Funds.**

## **Forward-Looking Statements:**

Statements or information contained herein that are not historical fact may constitute “forward-looking statements” regarding the future plans, opinions, objectives and performance of Abbott, the Alaska Retirement Management Board portfolio, the Portfolio Funds, their underlying portfolio companies and the private equity and financial markets in general. These statements may be identified by the use of forward-looking terminology such as “may,” “will,” “likely,” “appear,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” or “believe,” or comparable terminology. Due to various risks and uncertainties, such as the stability of the public capital and debt markets, the impact of increased regulatory market oversight, changes to the regulatory environment in general and the reliability and timeliness of the data and information received by third party sources, including the managers or general partners of the Portfolio Funds, actual events or results and the actual performance of the private equity and the financial markets, Abbott, the Alaska Retirement Management Board portfolio, any Portfolio Funds or any underlying portfolio company may differ materially and adversely from the performance reflected or contemplated by such forward-looking statements. No representation or warranty is made as to the accuracy of any forward-looking statement contained herein, the future stability of the private equity and financial markets, or the performance of Abbott, the Alaska Retirement Management Board portfolio, the Portfolio Funds or underlying portfolio companies. Abbott undertakes no duty and expressly disclaims any obligation or implied undertaking, to disseminate any updates or revisions to analysis, or any forward-looking statements, contained herein, whether to reflect any change in expectations with regard thereto as a result of a change in events, conditions, regulatory landscape or environment or circumstances on which such statement or opinion is based, or receipt of new information, future events or otherwise.

## **Summary and Statements of Investments:**

Alaska Retirement Management Board has expressly requested that Abbott revise its reporting practice and provide a standard monthly report to ARMB, on an expedited basis, that is, on the last business day of each month rather than within 5 to 10 business days of month end. ARMB’s March 31, 2014 monthly report was used to create this presentation and thus ARMB should be aware that any information or any outstanding matter or issue in respect of any underlying Portfolio Fund or transaction that may have been obtained or resolved subsequent to preparation of this monthly report will not be included herein but may be included or taken into account with respect to any subsequent monthly, quarterly, or semiannual report issued by Abbott. Information set forth herein speaks as of the date set forth above or otherwise as of the report date set forth herein. Delivery hereof shall not under any circumstances create the implication that no change has occurred in such information or the affairs of Abbott, Abbott’s client portfolios, the Portfolio Funds or their underlying portfolio companies.

Amounts with respect to Commitments, Amount Paid-In and Net Distributions may reflect additional fee or interest payments paid by, or received from the Portfolio Funds in excess of the actual Alaska Retirement Management Board subscription amount. Latest Valuation for the account and with respect to any Portfolio Fund reflects most recently available “Fair Value” adjusted by Abbott to reflect cash flow activity (capital calls, cash & stock distributions) from the date of the latest available Fair Value through March 31, 2014. “Fair Value” is based on the most recently available capital account balances reported to Abbott Capital Management, LLC by the Portfolio Funds as of the report date, including allocations of unrealized gain or loss on the underlying portfolio company investments. The capital account balances may have been adjusted by other amounts necessary to reflect the fair value of the Portfolio Funds as determined by Abbott during its most recently completed valuation review. Latest Valuation with respect to the account also includes the value of distributed stock not yet sold. Total Value equals Distributions plus Latest Valuation. Commitments with respect to Portfolio Funds denominated in non-U.S. currency reflect the amount funded (in U.S. dollars) plus the unfunded portion of the foreign-denominated commitment amount converted to U.S. dollars at the relevant March 31, 2014 exchange rates. With respect to secondary interests, Commitment equals the “Maximum Cash Outlay” (purchase price plus the unfunded capital commitment of the secondary interest at the time of purchase) and the Amount Paid-In refers to the purchase price plus the amounts contributed to the secondary interest subsequent to purchase.

With respect to each Portfolio Fund, Total Distributions reflect all distributions of cash or stock from the Portfolio Fund as of the report date, excluding any temporary returns of capital received. Distributions of stock are valued as reported by the Portfolio Funds as of the date of distribution and such valuation does not take into account any gains or losses realized upon the sale of such stock by Abbott. Amount Paid-In represents the cumulative amount of capital paid-in by Alaska Retirement Management Board as of the report date in respect of the Portfolio Fund, including amounts paid-in as a result of interest charges or management fees or expenses payable in addition to the total commitment, less any temporary returns of capital distributed by the Portfolio Funds. Total Distributions and Amount Paid-In with respect to any Portfolio Fund may reflect adjustments for individual distributions of recallable capital to the extent such distributions were expressly identified as recallable by the general partner or managing entity of the Portfolio Fund, but may not take into account all distributed amounts recallable or recyclable by the Portfolio Funds. The TVPI multiple for any Portfolio Fund, strategy, or portfolio as a whole may differ materially and adversely from the multiple set forth herein to the extent Total Distributions and Amount Paid-In had not been adjusted for such recallable capital.

# Additional Disclosure Statements

## **Return Data:**

Alaska Retirement Management Board pooled net returns are calculated by Abbott and are net of Partnership management fees, expenses and carried interest, but do not reflect any deduction for advisory fees paid by Alaska Retirement Management Board to Abbott. Returns were calculated using the Latest Valuation of the Portfolio Funds and net monthly cash flows between the Alaska Retirement Management Board portfolio and the Portfolio Funds. Pooled performance data set forth herein is unaudited and does not represent the actual return anticipated for the Alaska Retirement Management Board account. Except as otherwise noted, pooled returns are not net of gains and losses realized upon the sale of distributed stock, including brokerage and other related commissions.

Unrealized investments may not be realized at the values used herein. While Abbott believes that the unrealized values used when calculating the returns set forth herein are based on assumptions that are likely reasonable under the circumstances and at the time made, actual realized returns on unrealized investments will depend upon, among other factors, future operating results, the value of the assets and market conditions at the time of disposition, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions used for the valuations incorporated herein. Accordingly, actual realized returns on unrealized investments may differ materially and adversely from the (assumed) pooled returns indicated herein.

Interim performance data regarding an underlying partnership investment may not accurately reflect the current or expected future performance of the Partnership or the fair value of the Alaska Retirement Management Board portfolio. Such performance data should not be used to compare returns among multiple private equity funds due to, among other factors, differences in vintage year, investment strategy, investment size, etc., and has not been calculated, reviewed, verified or in any way sanctioned or approved by the general partner or the advisor of the Partnership investment, or any of their affiliates.

**At this time, first quarter 2014 unaudited financial statements and related capital account value information for the Portfolio Funds are still subject to Abbott's formal valuation process. The information set forth herein is qualified in its entirety by reference to the detailed and updated information set forth in the first quarter reports to be delivered to Alaska Retirement Management Board by Abbott.**

## **Review of Market Conditions:**

This Presentation contains information based on or derived from data received or provided by the managers or general partners of the underlying partnership investments, independent third-party sources, including, without limitation, Thomson Reuters, and information publicly available. Abbott cannot guarantee the accuracy of any information from third party sources and has not independently verified the accuracy or completeness of such information or the assumptions on which such information is based. Information sourced from Thomson Reuters or similar databases of private equity data is continually updated, is subject to change and may include data from only a limited number of private equity funds in comparison to the entire private equity industry. Such data therefore may not be representative of the entire private equity market. Any statistical or third party information contained herein has been supplied for informational purposes only.

- I. Review of Market Conditions**
- II. Abbott Capital Management Update**
- III. 2013 / 2014 Investment Activity**
- IV. Portfolio Review & Portfolio Fund Investments**
- V. Summary & Outlook**

**Appendix**

- Statement of Investments

## **I. Review of Market Conditions**

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## Buyouts and Special Situations

- Amount invested globally decreased from 2012 to 2013 by both number and amount of capital
- GPs appear to have maintained price discipline, as purchase price multiples have remained steady for the past three years
- Buyout-backed IPO volume increased from 2012 to 2013, likely due to positive momentum in the equity markets

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## U.S. Venture Capital and Growth Equity

- Venture investments increased moderately from 2012 to 2013, sustaining a trend of more capital being invested than raised in each of the last 7 years
- Annual volume of M&A exits was the slowest since 2009, despite Moody's data suggesting large cash positions on corporate balance sheets
- 2013 witnessed the highest number of venture-backed IPOs since 2007, although the overall amount raised decreased from 2012

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## Looking Ahead

- Increases in global private equity fundraising and decreases in investments is likely to elongate the J-curve for many funds
- Private equity firms will likely be motivated to invest the \$483 billion<sup>(1)</sup> in dry powder from funds raised between 2005 and 2011 as fund investment periods reach expiration
- Secondary market pricing and volatility likely to remain high if public markets continue to appreciate and macroeconomic conditions improve

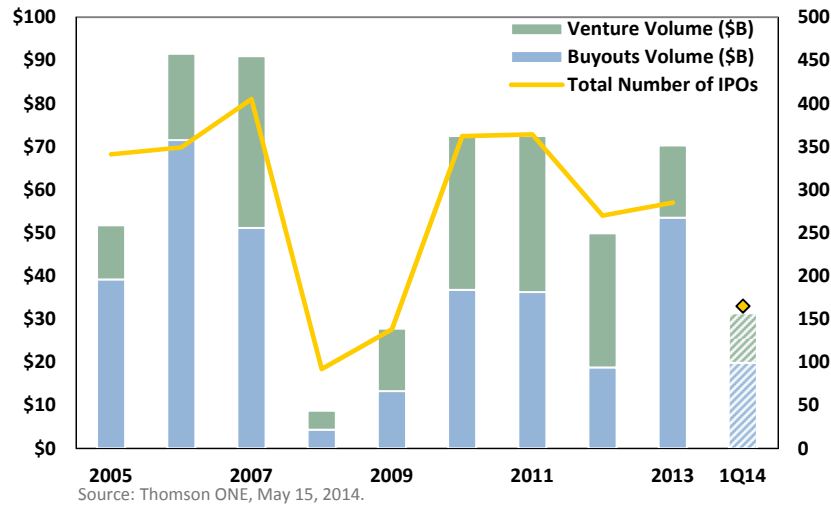
<sup>(1)</sup>Source: Preqin December 19, 2013

Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

# Private Equity Market Year-Over-Year

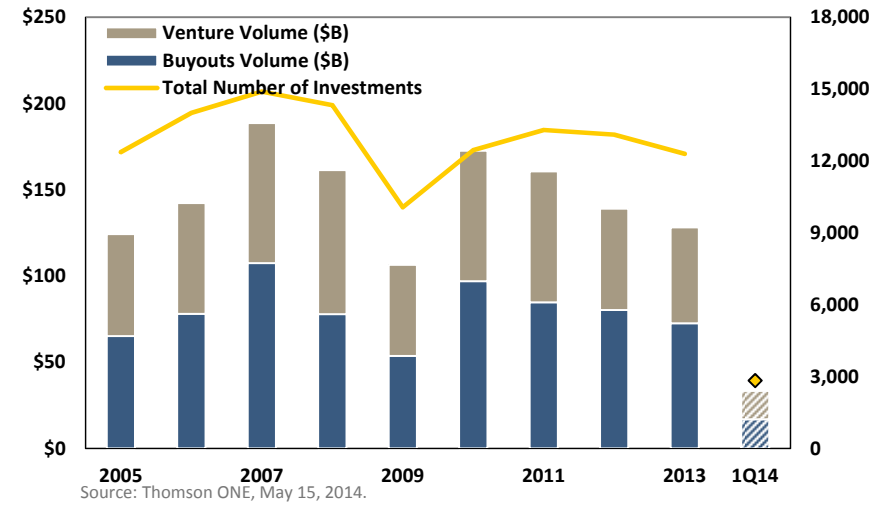
## Exits

Global Private Equity Backed IPOs

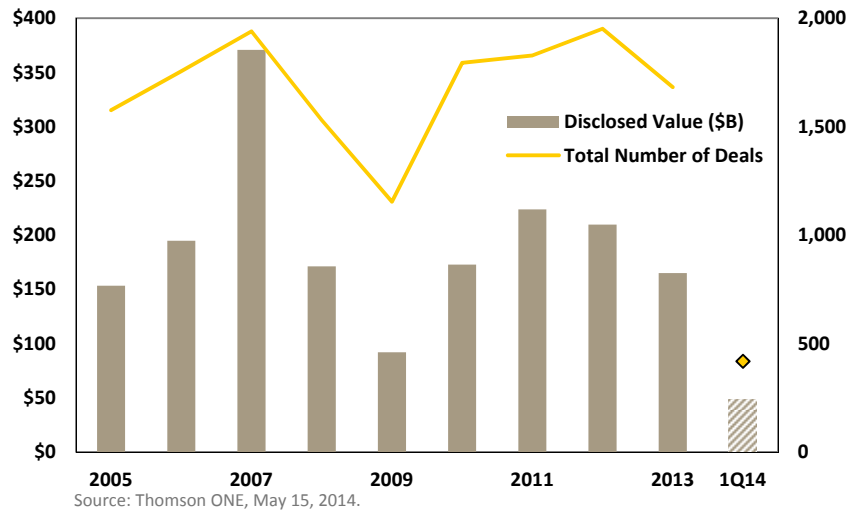


## Investments

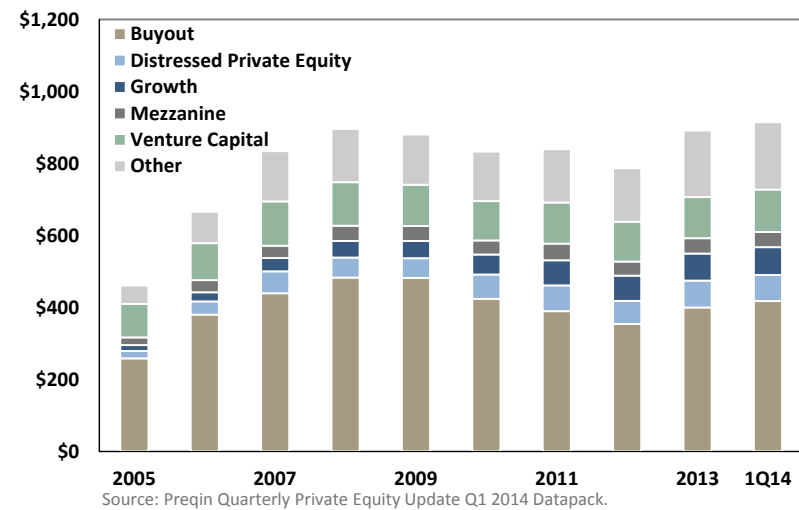
Global Private Equity Investments



Global Private Equity Backed M&A Exits



Private Equity Dry Powder by Fund Type (\$B)



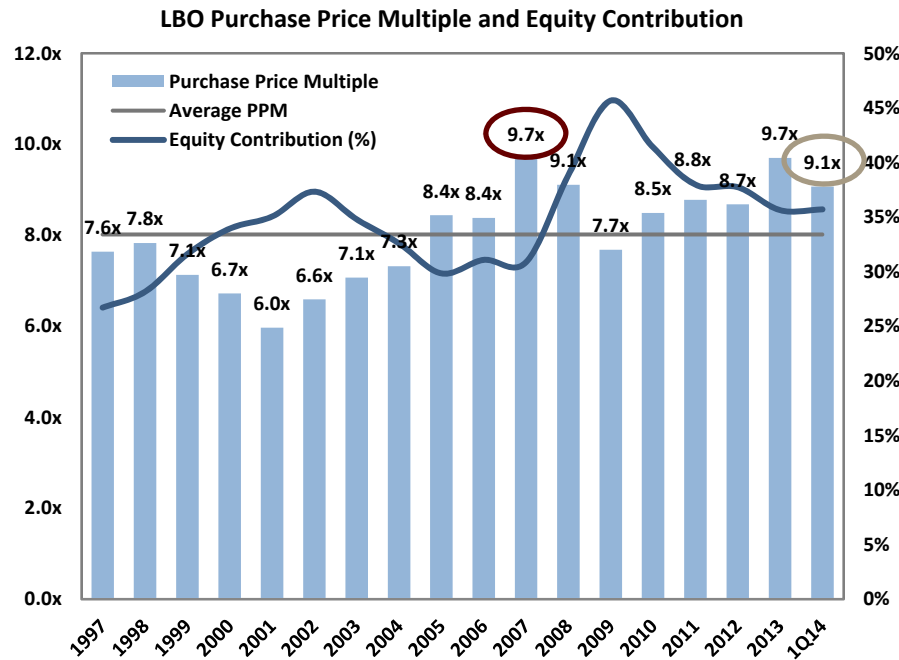
Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

*We hear private equity investors asking about:*

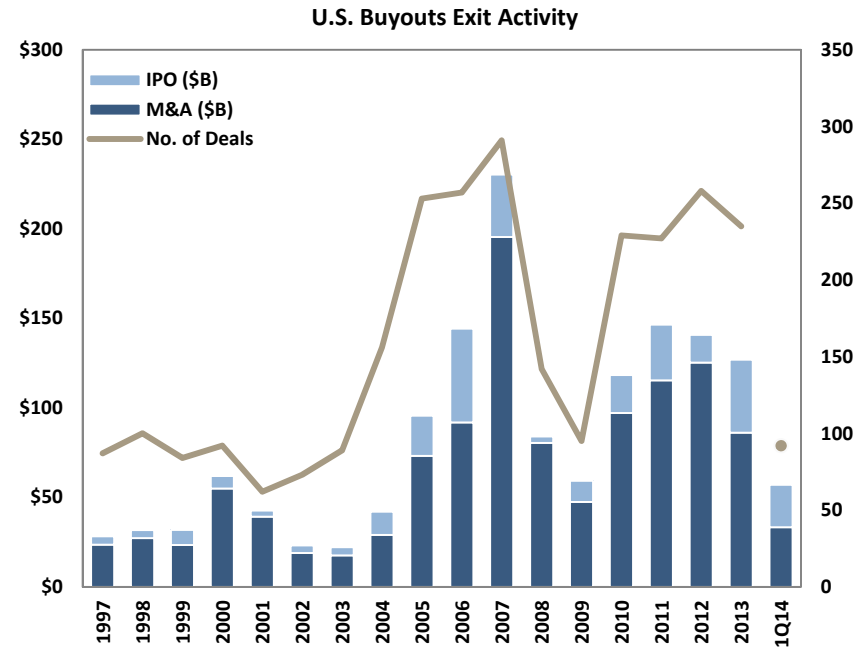
- ① Buyouts: in what part in the cycle are we?
- ② Venture Capital: is the current market more like the mid-1990s or the late 1990s?
- ③ Secondaries: are they still an interesting investment opportunity?



# Buyouts: Where Are We in the Market Cycle?



Source: LCD's Leveraged Buyout Review – 1Q14, Standard & Poor's Financial Services LLC

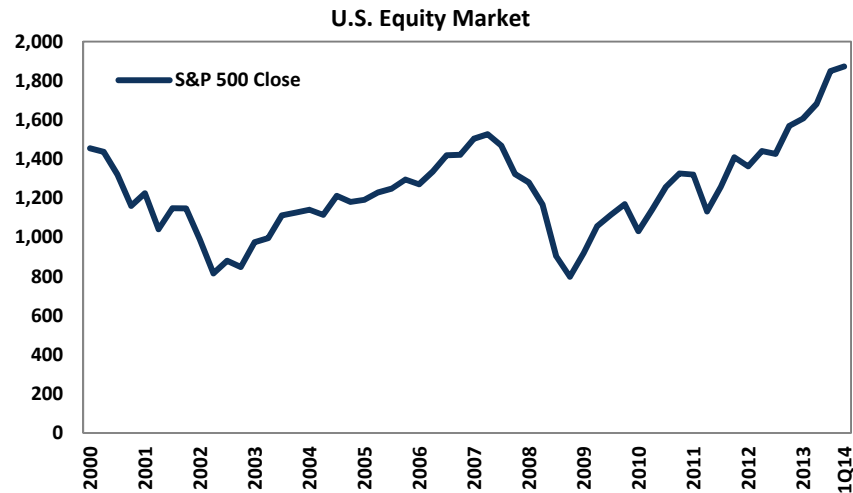


Source: Thomson Reuters June 4, 2014

- Pricing is up, but annual levels are not at peak
- Equity contribution is healthy
- Challenging time to be a buyer

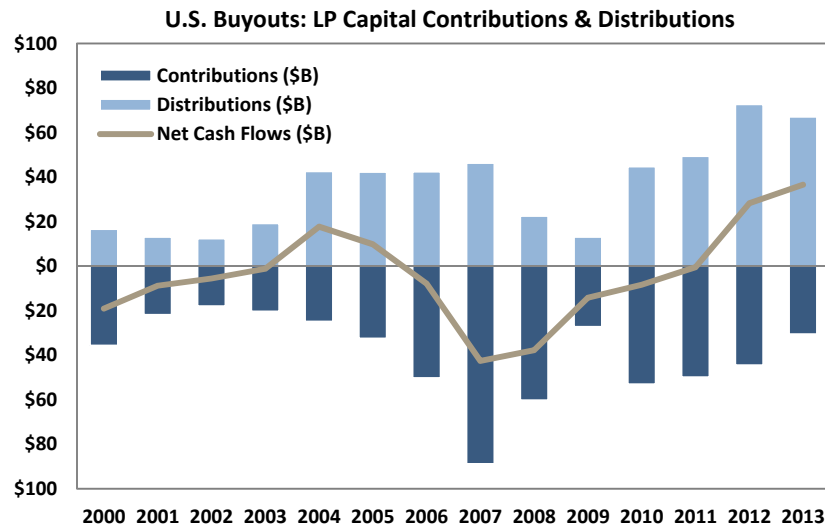
- Exit pace off to strong start in 1Q14
- Recapitalizations contribute to strong liquidity
- Great time to be a seller

# Buyouts: What is Driving Pricing?

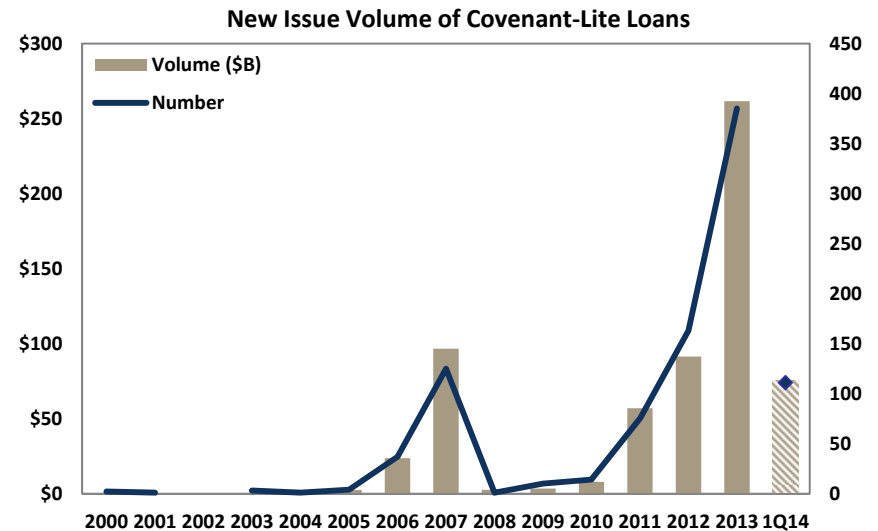


Source: Yahoo Finance

- Public market values
- Distributions to LPs → Commitments to new funds → More dry powder
- Financing support (potentially moderated by regulatory comments)
- Less low-hanging fruit, with targets having survived financial crisis



Source: Thomson Reuters June 4, 2014

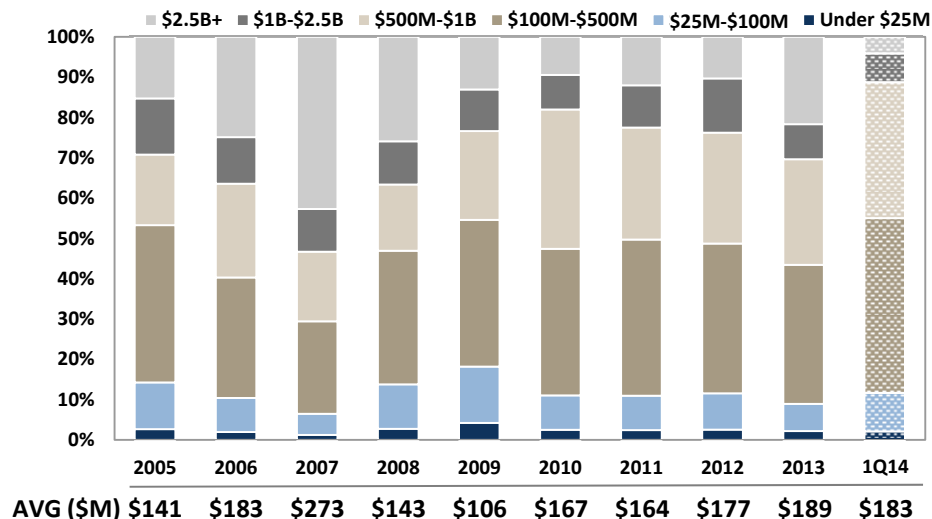


Source: LCD's Leveraged Buyout Review – 1Q14, Standard & Poor's Financial Services LLC

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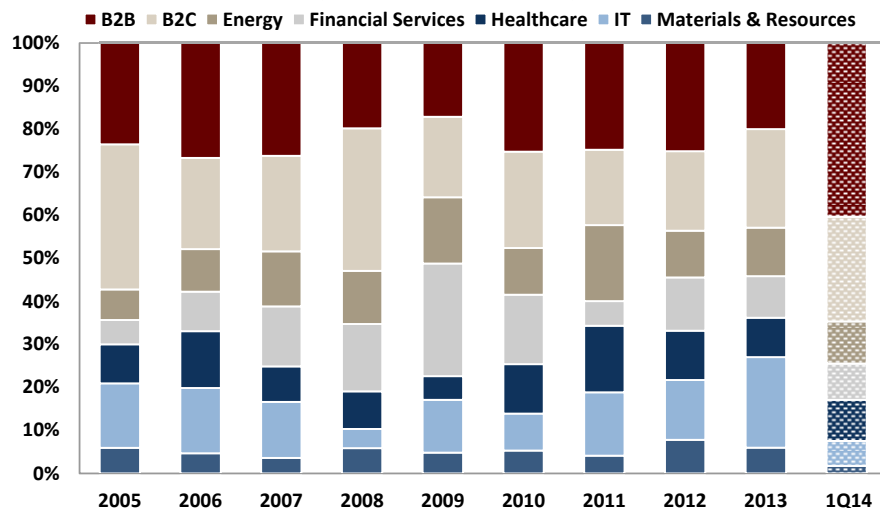
# Buyouts: What Deals Are Getting Done?

U.S. Buyout Investments (\$) by Deal Size



Source: Pitchbook 2Q 2014 U.S. PE Breakdown Report

U.S. Buyout Investments (\$) by Industry



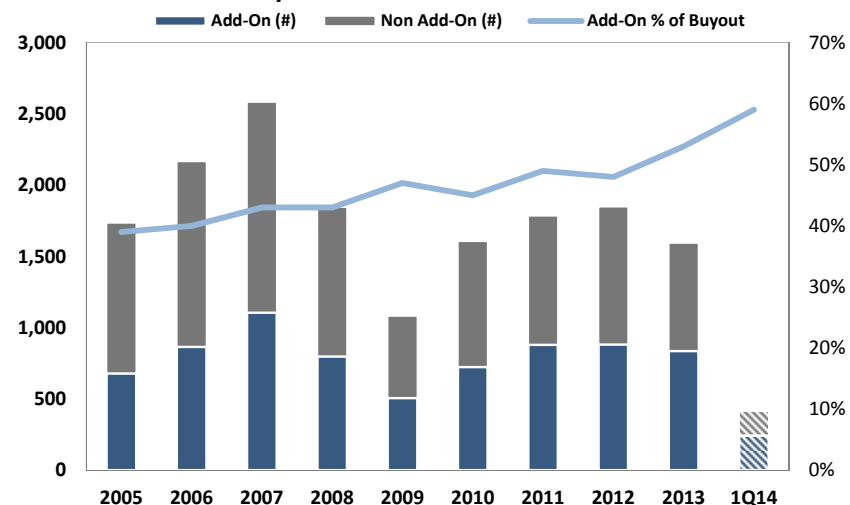
Source: Pitchbook 2Q 2014 U.S. PE Breakdown Report

(1) Buyouts – April 7, 2014, Bill Sanders at Morgan Stanley

Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

- Recent increase in smaller transactions due to increase in add-ons and minority deals
- While deal flow overall was down, investments in physical assets increased. Retail/services investing declined
- Operational skill can be a differentiator
- “Compared to 2006 and 2007, it’s a healthier mix...”<sup>(1)</sup>

Buyouts: Add-Ons vs. Non Add-Ons



Source: Pitchbook 2Q 2014 U.S. PE Breakdown Report

# Venture Capital: More Like the mid-1990s or late 1990s?

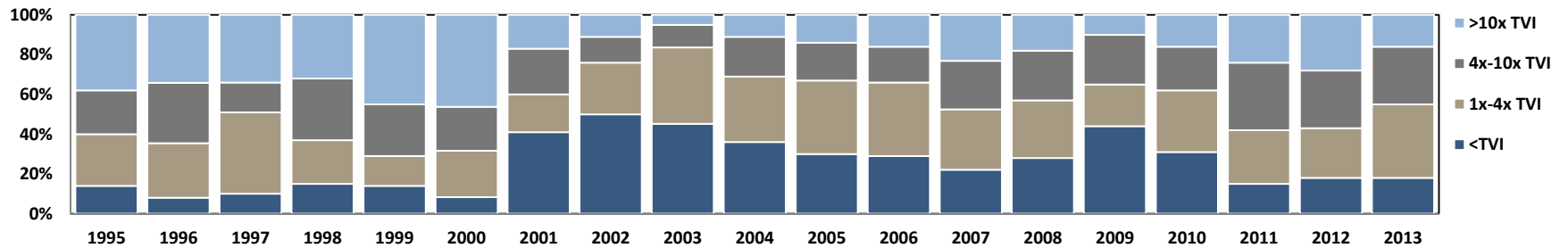
Thomson Reuters Pooled Average IRRs by Vintage Year and by Selected Venture Capital Sub-style  
(as of December 31, 2013)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Early Venture	77.3%	147.2%	90.4%	53.0%	-5.5%	-2.6%	0.0%	-3.1%	-0.2%	6.5%	5.2%	5.8%	11.0%	16.5%	20.2%	7.6%
Later Venture	59.5%	12.4%	37.0%	2.3%	-1.1%	9.5%	11.5%	2.9%	NA	NA	28.0%	6.4%	10.8%	6.7%	NA	NA
Balanced Venture	31.3%	40.0%	36.1%	11.5%	-3.3%	2.3%	7.7%	-4.2%	3.0%	2.2%	2.1%	2.6%	13.8%	3.1%	23.6%	23.9%
All P.E. – Pooled Median IRR	10.0%	6.6%	8.1%	2.9%	-0.9%	0.0%	5.4%	1.5%	7.1%	6.4%	7.1%	5.7%	10.5%	11.8%	12.0%	13.8%

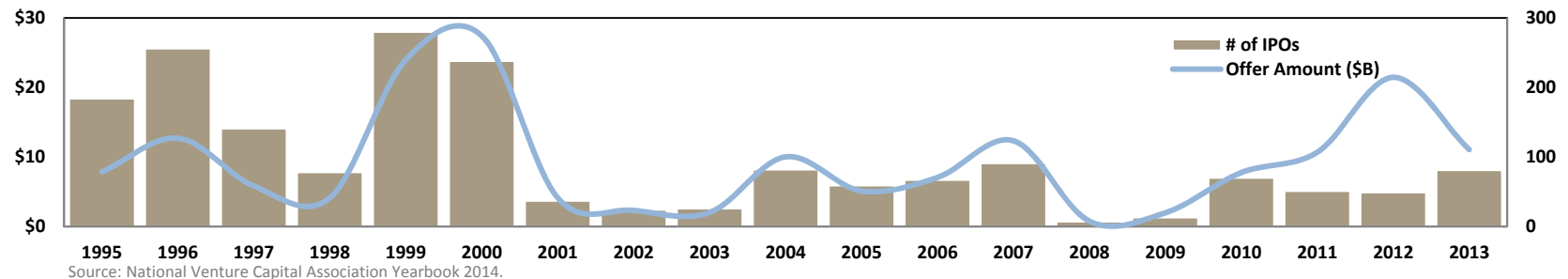
**All Private Equity**  
 ■ 1<sup>st</sup> Quartile  
 ■ 2<sup>nd</sup> Quartile  
 ■ Below Median

Source: Thomson ONE, May 22, 2014. Includes funds with a U.S. primary market focus only.

## U.S. Venture-Backed M&A Transaction Values vs. Amount Invested



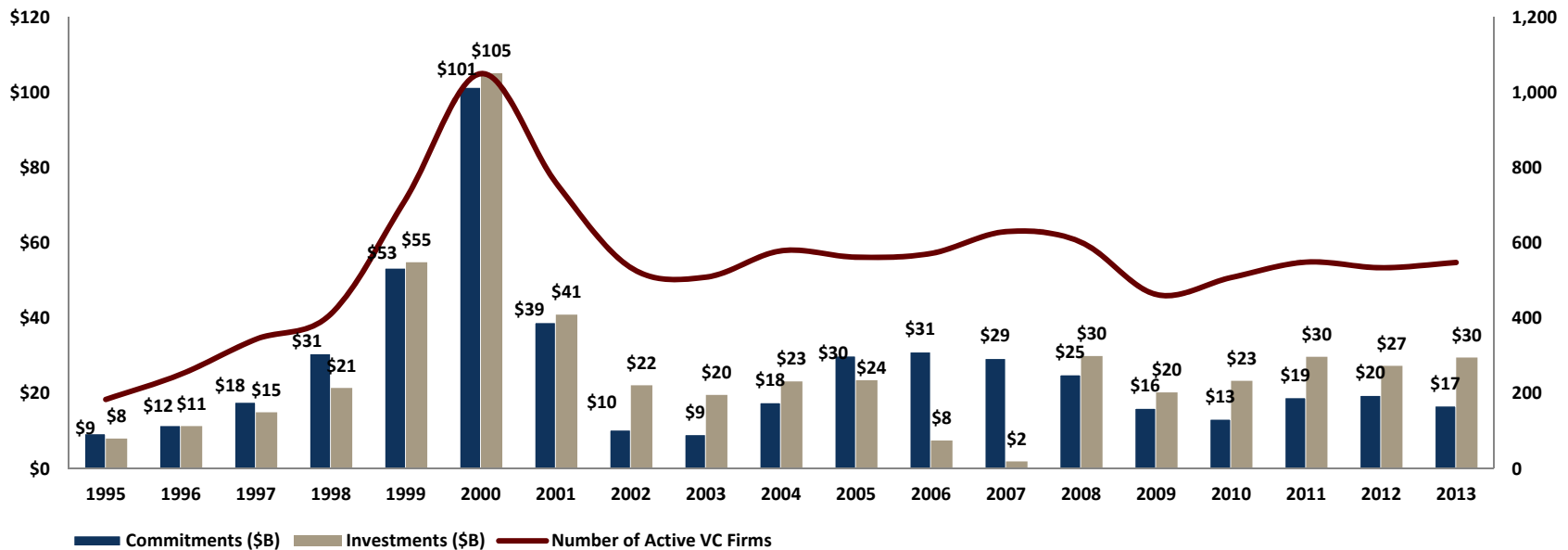
## U.S. Venture-Backed IPOs



Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

# Venture Capital: What Has Changed?

U.S. Venture Capital Commitments and Investments



Source: National Venture Capital Association Yearbook 2014.

## Continued right-sizing

- New commitments ~one-fifth of peak levels
- More capital invested than raised in 12 of the last 15 years
- After a period of consolidation, the number of active VC firms has remained steady

## Changed landscape

- Startups appear to be less capital intensive
- Companies are staying private longer
- Later-stage rounds have grown larger
- Non-traditional investors, such as mutual funds, are funding later-stage rounds

# Venture Capital: A Different IPO Profile?

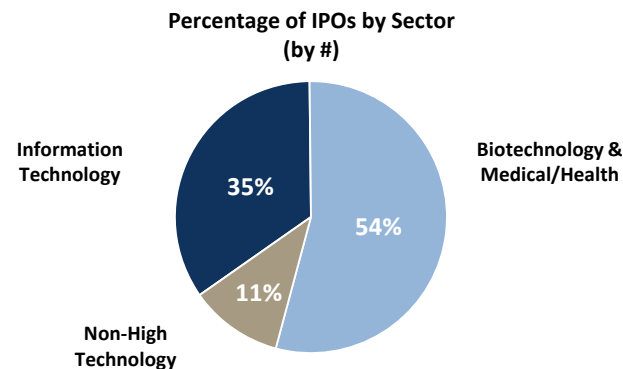
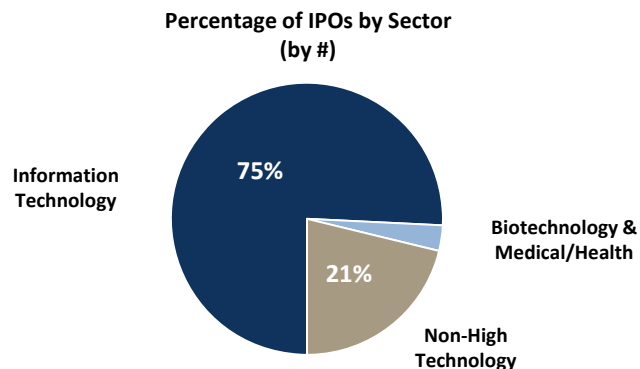
## U.S. Venture Capital-Backed IPOs

1999	
<b>Number of IPOs</b>	276 51% of total IPOs
<b>Total Offer Amount</b>	\$23 billion
<b>Median Offer Amount</b>	\$69 million
<b>Average Age at IPO</b>	3 years
<b>Top VC Firms by # of IPOs</b>	Hambrecht & Quist Intel Capital Corp. New Enterprise Associates
<b>Largest VC Backed IPO</b>	Webvan \$431 million



VS.

2013	
<b>Number of IPOs</b>	81 48% of total IPOs
<b>Total Offer Amount</b>	\$10 billion
<b>Median Offer Amount</b>	\$91 million
<b>Average Age at IPO</b>	8 years
<b>Top VC Firms by # of IPOs</b>	Kleiner Perkins Caufield & Byers Duff Ackerman & Goodrich MPM Capital
<b>Largest VC Backed IPO</b>	Twitter \$2,093 million

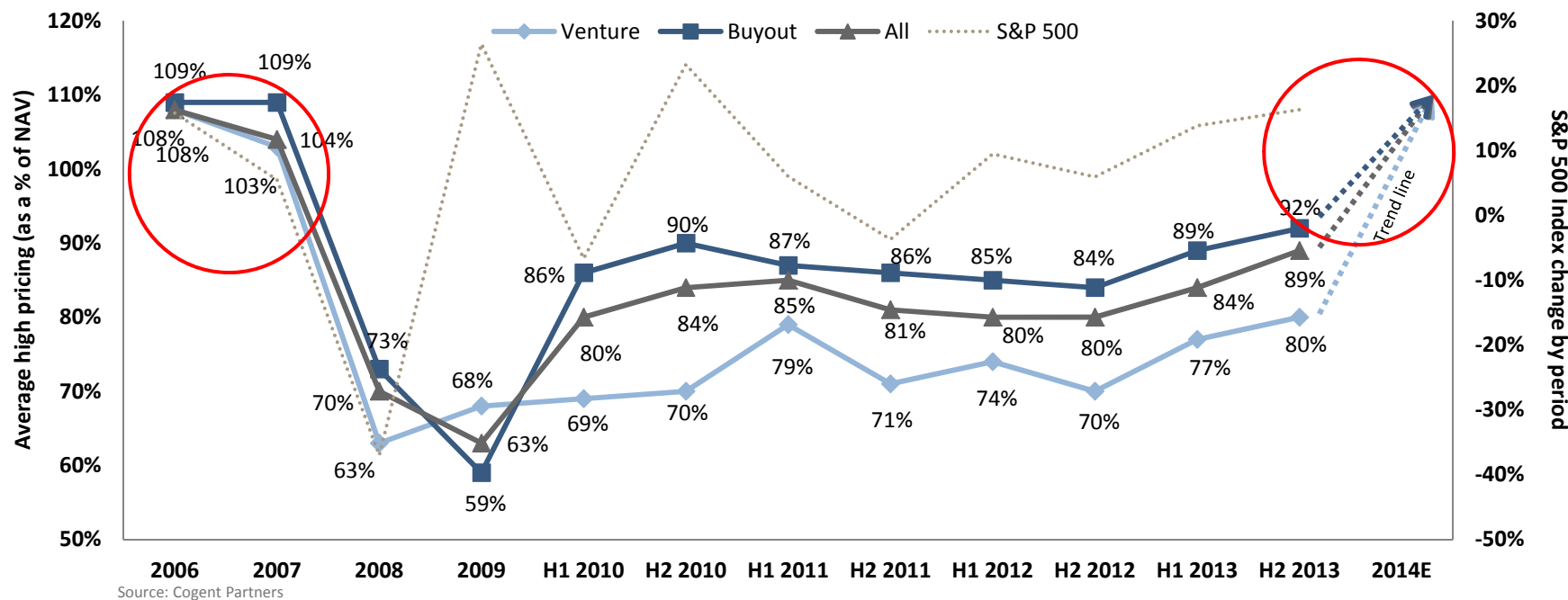


Source: Thomson ONE, June 5, 2014; National Venture Capital Association Yearbook 2014; Venture Economics, January 7, 2000.

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# Secondary Market: Still an Interesting Opportunity?

Average High Pricing (as a % of NAV)



## Market Conditions

### Pre-Crash

- High prices
- Few sellers
- Strong PE distributions
- Leverage

### Post-Crash

- Low prices
- Few buyers
- Financial distress
- No leverage

### 2010-2012

- Prices recover slowly
- Public market recovering
- Cash-strapped sellers
- Volumes increase

### 2012-2013

- Prices stable then rising
- Record PE distributions
- More tactical sellers
- Volumes increase more

### Outlook

- Prices will trend up
- Dry powder ample
- Regulatory pressure
- Leverage will return

2014 estimates added by Abbott Capital.

Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.



*We hear private equity investors asking about:*

- ① Buyouts: in what part in the cycle are we?
  - ***It's not 2007, but the bar is high.***
- ② Venture Capital: is the current market more like the mid-1990s or the late 1990s?
  - ***Neither, the landscape has changed.***
- ③ Secondaries: are they still an interesting investment opportunity?
  - ***Yes, on a highly selective basis.***

## **II. Abbott Capital Management Update**

## Experience

- Leading independent private equity investment adviser with offices in New York and London
- Track record spanning over 27 years and several market cycles
- Over \$7 billion in AUM; solely focused on private equity
- Stable, multi-generational management team

## Discipline

- Rigorous due diligence combines deep resources with extensive information network
- High conviction portfolios; fundamental investment style
- Independent team; minimizes conflicts regarding investment decisions
- Alignment; significant investment alongside fund investors

## Performance

- Review over 500 investment opportunities each year; averaging over \$700 million commitments per year\*
- Build portfolios of best of breed private equity managers
  - *Core, globally-diversified*
  - *Specialized strategies*
- Seek attractive risk-adjusted returns in a variety of economic environments




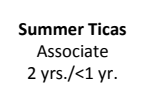
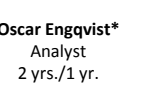


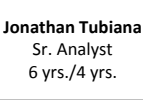

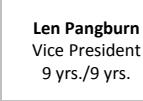
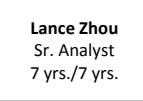
\*Based on average commitments over the past 5 years.

Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

# An Entire Organization Focused on Private Equity

ABBOTT CAPITAL

## Investments

	<b>Thad Gray</b> Managing Director Chief Investment Officer 25 yrs./25 yrs.		<b>Tim Maloney</b> Managing Director 13 yrs./9yrs.		<b>Martha Cassidy</b> Director 30 yrs./1 yr.		<b>Summer Ticas</b> Associate 2 yrs./<1 yr.		<b>Oscar Engqvist*</b> Analyst 2 yrs./1 yr.
	<b>Jonathan Roth</b> Managing Director President 22 yrs./22 yrs.		<b>Chris Ragazzo</b> Managing Director 9 yrs./9 yrs.		<b>Young Lee</b> Principal 9 yrs./6 yrs.		<b>Jonathan Tubiana</b> Sr. Analyst 6 yrs./4 yrs.		<b>Brian Susetka</b> Analyst 3 yrs./3 yrs.
	<b>Katie Stokel</b> Managing Director Chief Operating Officer 28 yrs./16 yrs.		<b>Meredith Rerisi</b> Managing Director 13 yrs./13 yrs.		<b>Len Pangburn</b> Vice President 9 yrs./9 yrs.		<b>Lance Zhou</b> Sr. Analyst 7 yrs./7 yrs.		
			<b>Matthew Smith*</b> Managing Director 14 yrs./14 yrs.						




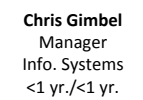
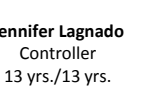

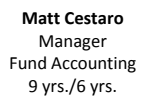
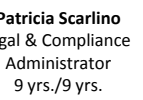
- **Team of ~50 in New York and London**
  - **Investment team of 15**
  - **Finance, Operations, Legal & Compliance team of 23**
  - **Client Relations team of 5**
- **Managing Directors together have an average of over 19 years private equity experience**

## Client Relations

	<b>Charles van Horne</b> Managing Director 29 yrs./13 yrs.		<b>Mona Marquardt</b> Principal 11 yrs./2 yrs.		<b>Nicole Wilson</b> Sr. Analyst 2 yrs./<1 yr
			<b>Samantha Hewitt</b> Sr. Associate 7 yrs./6 yrs.		<b>Catherine Benlian</b> Analyst <1 yr./<1 yr

- **Diverse backgrounds, stable team and consensus-driven decision making process**

## Finance, Operations, Legal & Compliance

	<b>Lauren Massey</b> Managing Director Finance & Administration 23 yrs./19 yrs.		<b>Mary Hornby</b> Managing Director General Counsel 18 yrs./9 yrs.		<b>Andrea Heidbreder</b> Project Manager 19 yrs./13 yrs.		<b>Chris Gimbel</b> Manager Info. Systems <1 yr./<1 yr.		<b>Jennifer Lagnado</b> Controller 13 yrs./13 yrs.
	<b>Paolo Parziale</b> Managing Director Corporate & Fund Accounting 14 yrs./12 yrs.				<b>Joe Juliano</b> Sr. Manager Operations 12 yrs./12 yrs.		<b>Matt Cestaro</b> Manager Fund Accounting 9 yrs./6 yrs.		<b>Patricia Scarlino</b> Legal & Compliance Administrator 9 yrs./9 yrs.

- **Deep proprietary networks**
- **Focus on delivering superior client service across the organization**

Private Equity Experience / Tenure at Abbott

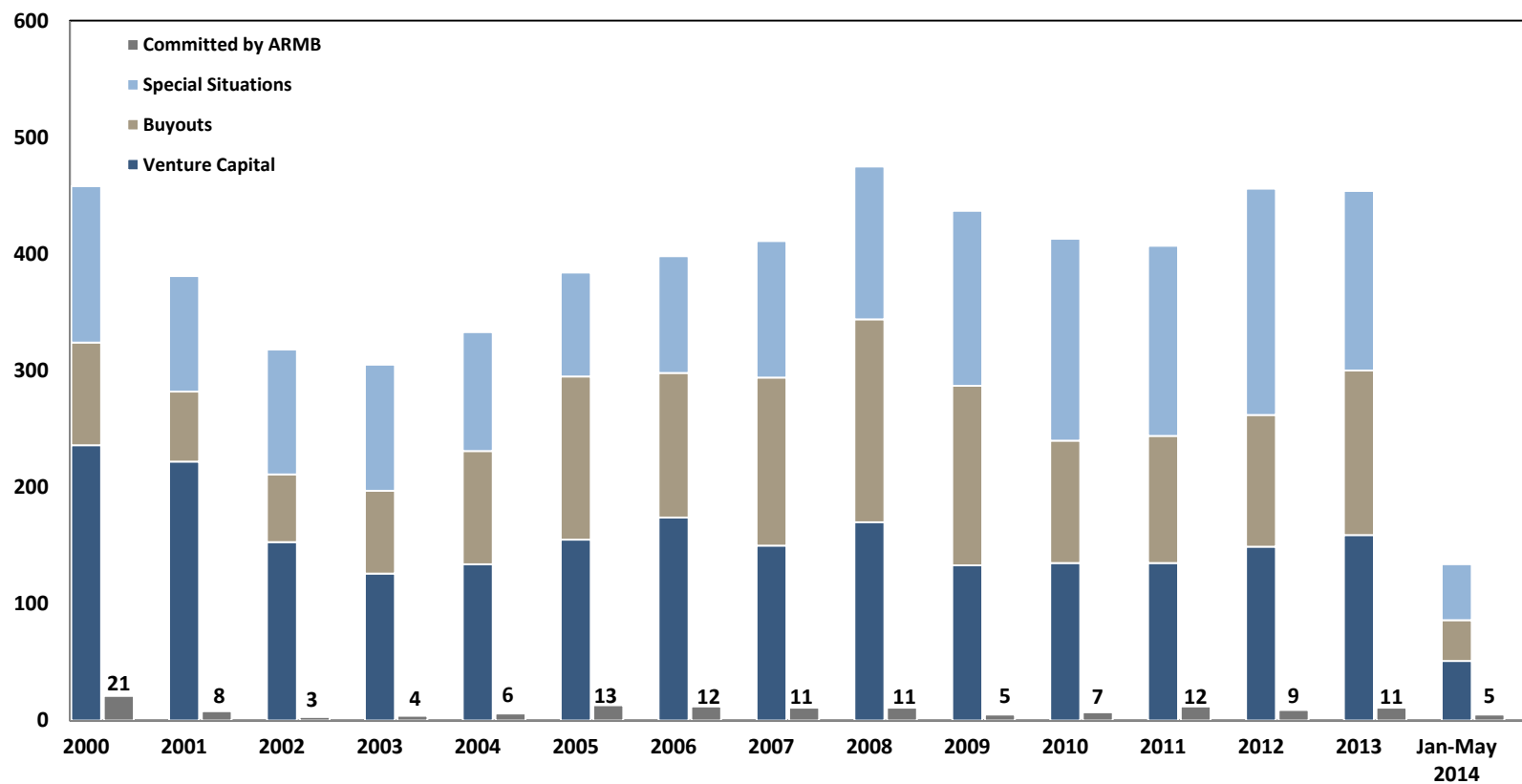
\*Abbott Capital Management (Europe), LLP. See Appendix for complete biographies.

As of June 2014

### **III. 2012 / 2013 Investment Activity**

# Abbott Deal Flow and ARMB Primary Commitments

**Abbott Deal Flow\***  
**ARMB Primary Commitments**  
**2000 to May 31, 2014**



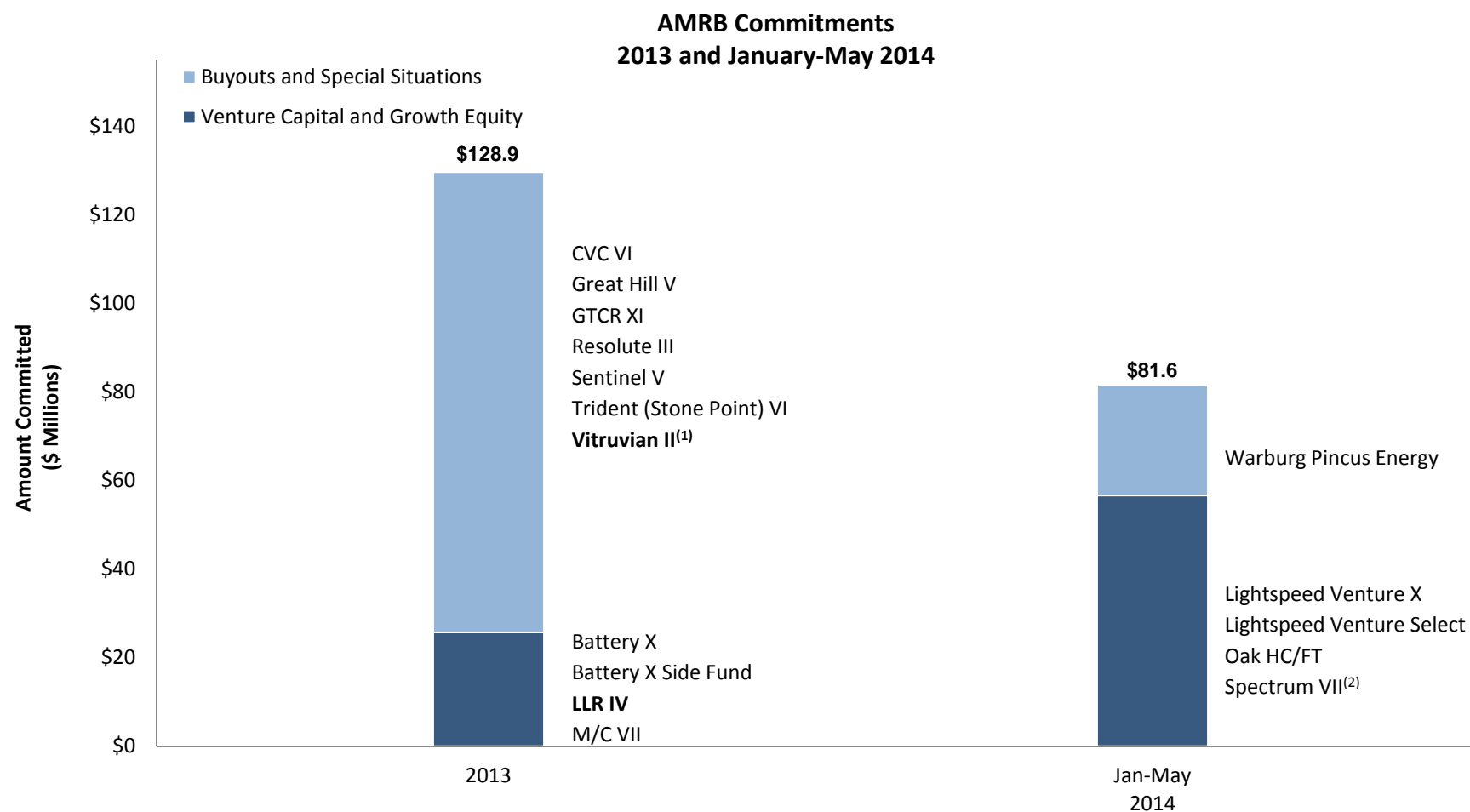
The commitments to Spectrum Equity Investors VII and Oak HC/FT are pending close.

\* Abbott Deal Flow represents primary investment opportunities presented to, or reviewed by, Abbott during the referenced calendar year for all client accounts. Investment opportunities presented to Abbott and still under review in a subsequent calendar year may be reflected in the totals for both the year presented and the year under review.

# 2013 and 2014 Commitment Activity

**2013 and 2014 commitment target: \$145.0 million and \$175.0 million**

- \$128.9 million committed to portfolio funds in 2013
- Commitment pace on target for 2014 through mid-year



<sup>(1)</sup> Non-U.S. dollar denominated Portfolio Fund.

<sup>(2)</sup> Committed but not closed.

Funds in bold represent a new manager relationship for Abbott.

## **IV. Portfolio Review & Portfolio Fund Investments**



# ARMB Summary – Current & Liquidated Portfolio

ABBOTT CAPITAL

## Portfolio Summary – as of March 31, 2014

Total Portfolio Fund Commitments	\$1,915.5 million
<i>Primary Investments</i>	<i>\$1,894.5 million</i>
<i>Secondary Investments</i>	<i>\$21.0 million</i>
Number of Investments (Primary/Secondary)	164/18

## Portfolio Metrics – as of March 31, 2014

Amount Paid-In	\$1,517.0 million (79.2%)
Net Distributions*	\$1,506.8 million (78.7%)
Latest Valuation	\$741.7 million
Pooled IRR*	9.5%
Multiple (TVPI)*	1.5x

## Current Portfolio Metrics – as of December 31, 2013

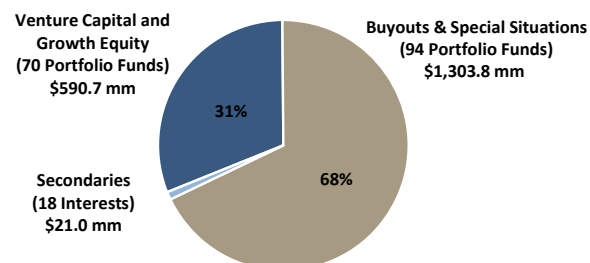
Underlying portfolio companies	1,917
Underlying portfolio company investments	2,175
Average duration of investments	4.6 years
Number/Percent of Investments valued above cost	1,116 / 51%
Number/Percent of Investments valued at cost	379 / 17%
Number/Percent of Investments valued below cost	680 / 31%

\*Net of gains and losses realized upon the sale of distributed stock, including brokerage and other related commissions.

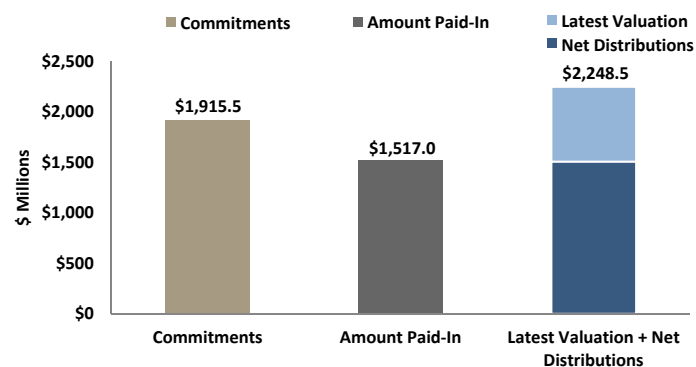
Please refer to the Important Disclosures page for detail on Abbott's calculation of valuation and return data.

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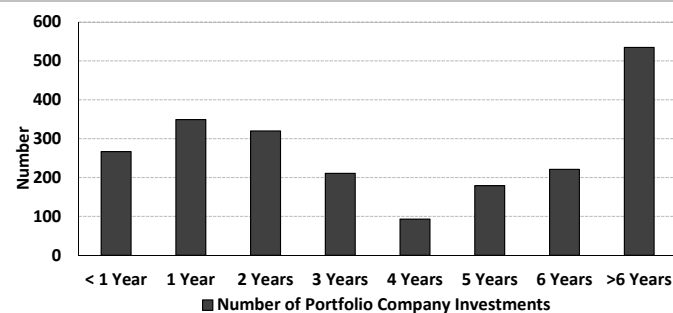
## Cumulative Portfolio Commitments – By Style as of March 31, 2014



## Portfolio Metrics – as of March 31, 2014



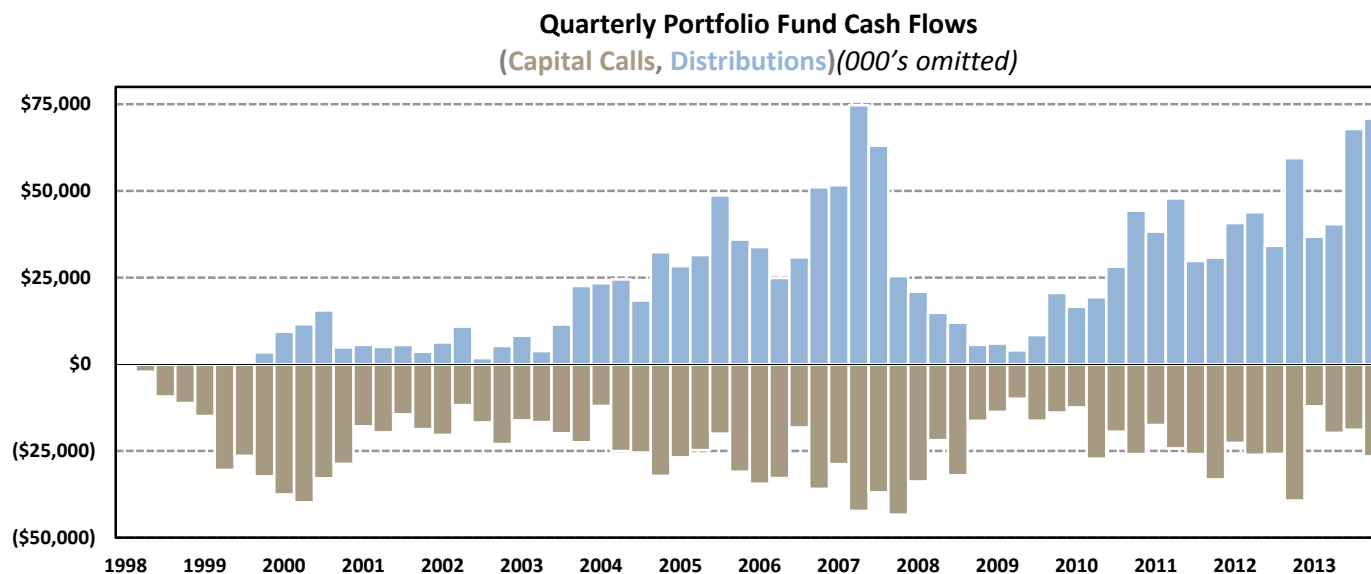
## Current Portfolio Duration – as of December 31, 2013



# ARMB Cash Flows – Current & Liquidated Portfolio

## Portfolio Fund Cash Flows

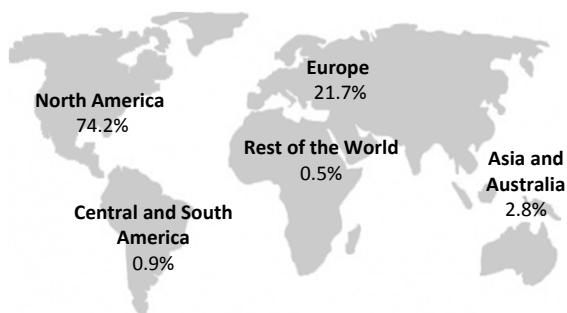
- **Increased distributions and decreased capital calls reflect “seller’s market”**
  - Capital calls totaled \$77.3 million in 2013, a 32% decrease from 2012
  - ARMB received distributions of \$215.9 million in 2013, a 21% increase from 2012
- **YTD 2014 transaction activity appears similar to 2013**
  - An additional \$45.8 million was called from 1/1/2014 – 5/31/2014
  - An additional \$66.1 million was distributed from 1/1/2014 – 5/31/2014



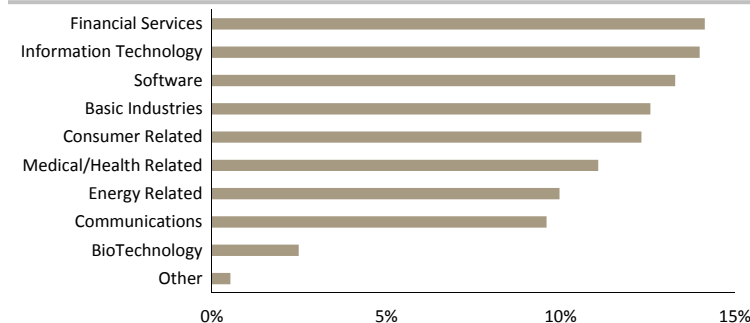
Cash flows do not include gains and losses realized upon the sale of distributed stock, including brokerage and other related commissions.  
Past returns are not indicative of future performance or expected realized returns and there is the possibility of complete or partial loss of capital with any private equity investment. Future returns will vary.

# Current Portfolio Company Diversification

## Geography Diversification by Value



## Industry Diversification by Value



## Top Ten Portfolio Companies By Proportionate Value

Company Name	Portfolio Fund Name
Zayo Bandwidth, Inc. (Zayo Group, LLC)	Battery Ventures VII; Battery Ventures VIII; GTCR Fund X; M/C Venture Partners VI; Oak Investment Partners XII
Antero Resources Corporation*	Warburg Pincus Private Equity VIII; Warburg Pincus Private Equity X
NEW Asurion Corporation	Berkshire Fund VIII; Madison Dearborn Capital Partners V; Welsh, Carson, Anderson & Stowe X; Welsh, Carson, Anderson & Stowe XI
Formula One Group	CVC European Equity Partners IV
Sensus Metering Systems (Bermuda 1) Ltd.	The Resolute Fund
Lending Club Corporation	Canaan VII
Kosmos Energy Holdings LLC*	Blackstone Capital Partners IV; Warburg Pincus Private Equity VIII
Haas TCM Inc. (Integrated Chemical Management Solutions)	The Resolute Fund
Milestone Aviation Group, Ltd.	The Resolute Fund II
Tableau Software, Inc.*	New Enterprise Associates 11
<b>Total Top Ten Portfolio Companies</b>	<b>\$59,844,024</b>

\* Denotes publicly traded company.

Information is based on the original investment stage and portfolio company values as of December 31, 2013.

Proportionate Value is calculated based on ARMB's share of the total reported net asset value of the portfolio fund.

## **V. Summary & Outlook**

## ARMB

---

- Resilient, well-diversified portfolio in place
  - Quarterly distributions have primarily outweighed quarterly contributions for the past three years
- Abbott expects GPs to continue to take advantage of the robust exit environment for existing portfolio companies, where available
- Commitment pace progressed as planned through mid-year 2014
  - Pipeline for the remainder of 2014 appears strong; anticipate meeting \$175 million annual target

## Appendix

# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						TVPI	IRR
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value			
<u>Venture Capital and Growth Equity</u>									
ABS Capital Partners VII	2012	\$9,000,000	\$3,494,147	\$0	\$3,331,981	\$3,331,981	1.0		
Alta Partners VIII	2006	\$4,000,000	\$3,800,000	\$1,900,582	\$2,896,423	\$4,797,005	1.3		
Atlas Venture Fund VI	2001	\$6,200,000	\$6,200,000	\$2,779,315	\$2,239,630	\$5,018,945	0.8		
Atlas Venture Fund VII	2006	\$9,000,000	\$8,731,328	\$1,250,616	\$11,474,875	\$12,725,491	1.5		
Austin Ventures VI	1998	\$5,000,000	\$5,000,000	\$2,716,555	\$435,288	\$3,151,843	0.6		
Austin Ventures VII	1999	\$8,000,000	\$8,000,000	\$5,994,500	\$546,001	\$6,540,501	0.8		
Austin Ventures VIII	2001	\$5,533,333	\$5,533,333	\$6,854,807	\$1,525,308	\$8,380,115	1.5		
Austin Ventures IX	2006	\$6,000,000	\$5,942,535	\$3,452,514	\$4,302,097	\$7,754,611	1.3		
Battery Ventures VII	2005	\$800,000	\$784,889	\$585,253	\$507,135	\$1,092,388	1.4		
Battery Ventures VIII	2007	\$2,300,000	\$2,244,340	\$1,503,591	\$2,252,343	\$3,755,934	1.7		
Battery Ventures VIII Side Fund	2008	\$1,035,000	\$816,707	\$1,023,001	\$864,448	\$1,887,449	2.3		
Battery Ventures IX	2011	\$2,700,000	\$2,385,765	\$577,348	\$2,971,795	\$3,549,143	1.5		
Battery Ventures X	2013	\$4,050,000	\$787,880	\$0	\$741,637	\$741,637	0.9		
Battery Ventures X Side Fund	2013	\$1,600,000	\$358,080	\$0	\$357,750	\$357,750	1.0		
Canaan VII	2005	\$8,000,000	\$7,400,000	\$5,262,568	\$12,355,954	\$17,618,522	2.4		
Canaan VIII	2007	\$8,000,000	\$6,880,000	\$2,387,065	\$7,957,901	\$10,344,965	1.5		
Canaan IX	2012	\$9,000,000	\$4,050,000	\$0	\$3,846,696	\$3,846,696	0.9		
ChrysCapital VI	2012	\$5,000,000	\$2,550,000	\$0	\$2,483,699	\$2,483,699	1.0		
Columbia Capital Equity Partners II	1999	\$5,842,450	\$5,839,926	\$4,742,274	\$6,170	\$4,748,444	0.8		
El Dorado Ventures VI	2000	\$10,000,000	\$8,480,000	\$6,263,357	\$2,548,605	\$8,811,961	1.0		
El Dorado Ventures VII	2005	\$10,000,000	\$9,000,000	\$0	\$8,362,622	\$8,362,622	0.9		
InterWest Partners VIII	2000	\$7,500,000	\$7,500,000	\$3,227,174	\$2,125,113	\$5,352,287	0.7		
InterWest Partners IX	2005	\$9,000,000	\$8,100,000	\$5,426,780	\$7,737,232	\$13,164,011	1.6		
JMI Equity Fund V	2005	\$3,900,898	\$3,900,898	\$17,044,760	\$1,731,635	\$18,776,395	4.8		
JMI Equity Fund VI	2007	\$6,800,526	\$6,650,926	\$3,444,354	\$5,856,288	\$9,300,642	1.4		

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						IRR
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value	TVPI	
<b><u>Venture Capital and Growth Equity</u></b>								
JMI Equity Fund VII	2011	\$6,500,000	\$4,420,000	\$843,000	\$3,577,072	\$4,420,072	1.0	
Lightspeed Venture Partners Select	2014	\$3,300,000	\$396,000	\$0	\$396,000	\$396,000	1.0	
Lightspeed Venture Partners X	2014	\$3,300,000	\$0	\$0	\$0	\$0	0.0	
LLR Equity Partners IV	2013	\$10,000,000	\$1,471,042	\$0	\$1,278,586	\$1,278,586	0.9	
M/C Venture Partners V	2000	\$10,000,000	\$9,946,344	\$15,410,079	\$634,999	\$16,045,078	1.6	
M/C Venture Partners VI	2006	\$9,000,000	\$8,726,695	\$6,741,819	\$8,270,801	\$15,012,620	1.7	
M/C Venture Partners VII	2013	\$10,000,000	\$0	\$0	\$0	\$0	0.0	
Mayfield XI	2000	\$9,000,000	\$7,740,000	\$3,229,524	\$2,621,138	\$5,850,662	0.8	
Morgan Stanley Dean Witter Venture Partners IV	1999	\$4,501,306	\$4,501,306	\$3,487,668	\$330,184	\$3,817,852	0.8	
Morgenthaler Partners VI	2000	\$6,000,000	\$6,000,000	\$3,118,998	\$194,988	\$3,313,986	0.6	
Morgenthaler Partners VII	2001	\$12,000,000	\$12,000,000	\$8,646,289	\$2,670,934	\$11,317,223	0.9	
New Enterprise Associates VIII	1998	\$13,031,307	\$13,031,307	\$19,977,021	\$1,476,046	\$21,453,067	1.6	
New Enterprise Associates 9	1999	\$11,018,353	\$10,798,353	\$3,599,002	\$1,867,225	\$5,466,227	0.5	
New Enterprise Associates 10	2000	\$10,013,479	\$9,863,479	\$8,957,229	\$2,755,982	\$11,713,211	1.2	
New Enterprise Associates 11	2004	\$12,000,000	\$11,760,000	\$20,699,368	\$5,019,020	\$25,718,388	2.2	
New Enterprise Associates 12	2006	\$17,000,000	\$16,745,000	\$11,628,651	\$14,303,521	\$25,932,172	1.5	
New Enterprise Associates 13	2009	\$11,000,000	\$9,350,000	\$4,079,123	\$10,658,462	\$14,737,585	1.6	
New Enterprise Associates 14	2012	\$20,000,000	\$8,300,000	\$411,136	\$8,413,771	\$8,824,907	1.1	
Oak Investment Partners VIII	1998	\$8,000,000	\$8,000,000	\$14,404,687	\$119,383	\$14,524,069	1.8	
Oak Investment Partners IX	1999	\$10,000,000	\$10,000,000	\$5,960,925	\$924,285	\$6,885,210	0.7	
Oak Investment Partners X	2001	\$15,000,000	\$15,000,000	\$14,069,778	\$6,003,860	\$20,073,639	1.3	
Oak Investment Partners XI	2004	\$15,000,000	\$15,000,000	\$5,872,873	\$7,361,699	\$13,234,572	0.9	
Oak Investment Partners XII	2006	\$12,000,000	\$12,000,000	\$4,726,245	\$9,343,887	\$14,070,132	1.2	
Oak Investment Partners XIII	2010	\$11,500,000	\$8,035,231	\$1,259,277	\$7,934,441	\$9,193,718	1.1	
Summit Partners Growth Equity Fund VIII	2012	\$20,000,000	\$6,800,000	\$0	\$6,809,025	\$6,809,025	1.0	

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value	TVPI	IRR
<b><u>Venture Capital and Growth Equity</u></b>								
Summit Partners Private Equity Fund VII-A	2006	\$17,500,000	\$17,500,000	\$6,839,098	\$17,135,850	\$23,974,948	1.4	
Summit Partners Venture Capital Fund III-A	2012	\$9,500,000	\$5,035,000	\$0	\$4,982,001	\$4,982,001	1.0	
Summit Ventures VI-B	2001	\$10,000,000	\$10,000,000	\$18,480,673	\$1,663,595	\$20,144,268	2.0	
TA IX	2000	\$20,000,000	\$19,400,000	\$45,681,837	\$1,105,748	\$46,787,585	2.4	
TA X	2006	\$15,000,000	\$14,475,000	\$9,825,000	\$8,382,494	\$18,207,494	1.3	
TA XI	2010	\$20,000,000	\$12,250,000	\$2,000,000	\$14,426,801	\$16,426,801	1.3	
Thomas, McNerney & Partners II	2006	\$6,500,000	\$5,638,750	\$1,764,641	\$4,513,350	\$6,277,991	1.1	
Trident Capital Fund-V	2000	\$7,074,667	\$7,015,865	\$6,593,925	\$4,199,953	\$10,793,878	1.5	
Trident Capital Fund-VI	2005	\$10,000,000	\$10,000,000	\$2,960,441	\$6,874,620	\$9,835,061	1.0	
Trident Capital Fund-VII	2010	\$6,500,713	\$5,441,213	\$1,426,530	\$6,769,552	\$8,196,082	1.5	
U.S. Venture Partners VI	1999	\$5,000,000	\$5,000,000	\$6,113,319	\$34,388	\$6,147,707	1.2	
U.S. Venture Partners VII	2000	\$7,791,667	\$7,791,667	\$2,720,207	\$562,138	\$3,282,345	0.4	
U.S. Venture Partners VIII	2001	\$7,500,000	\$7,380,000	\$7,893,543	\$1,355,183	\$9,248,726	1.3	
U.S. Venture Partners X	2008	\$9,100,000	\$6,723,080	\$2,657,376	\$6,809,441	\$9,466,817	1.4	
Weston Presidio V	2005	\$6,500,000	\$6,177,561	\$5,630,472	\$5,737,942	\$11,368,414	1.8	
<b>Total Venture Capital and Growth Equity</b>		<b>\$575,393,698</b>	<b>\$474,143,647</b>	<b>\$354,146,166</b>	<b>\$276,976,989</b>	<b>\$631,123,155</b>	<b>1.3</b>	<b>+6.1%</b>

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						TVPI	IRR
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value			
<b><u>Buyouts and Special Situations</u></b>									
ABRY Partners VII	2011	\$3,000,000	\$2,531,726	\$0	\$2,905,134	\$2,905,134	1.1		
ABRY Senior Equity III	2010	\$4,500,000	\$4,044,070	\$1,835,878	\$3,726,855	\$5,562,733	1.4		
ABRY Senior Equity IV	2012	\$5,002,755	\$1,459,201	\$0	\$1,492,374	\$1,492,374	1.0		
Advent International GPE V-D*	2005	\$16,122,693	\$14,990,493	\$33,567,267	\$5,236,579	\$38,803,846	2.6		
Advent International GPE VI-A	2008	\$17,000,000	\$16,133,000	\$8,751,784	\$19,293,380	\$28,045,164	1.7		
Advent International GPE VII-B	2012	\$20,000,000	\$7,700,000	\$200,000	\$9,260,162	\$9,460,162	1.2		
Alta Communications VIII	2000	\$15,000,000	\$14,700,000	\$9,704,596	\$503,291	\$10,207,887	0.7		
Apollo Investment Fund IV	1998	\$10,000,000	\$9,978,482	\$16,632,105	\$102,245	\$16,734,350	1.7		
Archer Capital Fund 5*	2012	\$2,805,283	\$414,016	\$0	\$232,273	\$232,273	0.6		
BCI Growth V	1999	\$10,003,256	\$9,477,376	\$4,119,485	\$260,903	\$4,380,388	0.5		
Berkshire Fund VIII	2011	\$6,500,000	\$1,947,776	\$2,416	\$1,954,829	\$1,957,245	1.0		
Blackstone Capital Partners IV	2003	\$15,171,311	\$14,713,163	\$31,861,203	\$7,414,439	\$39,275,642	2.7		
Blackstone Communications Partners I	2000	\$10,828,982	\$8,037,371	\$10,557,601	\$863,939	\$11,421,540	1.4		
Candover 2005 Fund*	2005	\$11,162,296	\$11,135,479	\$2,220,046	\$4,572,085	\$6,792,131	0.6		
Candover 2008 Fund*	2008	\$2,178,330	\$1,829,851	\$40,525	\$1,834,454	\$1,874,979	1.0		
Cinven Second Fund*	1998	\$18,495,515	\$17,796,052	\$28,686,825	\$18,978	\$28,705,803	1.6		
Cinven Third Fund*	2001	\$33,954,708	\$32,114,547	\$64,815,800	\$4,688,926	\$69,504,726	2.2		
Cinven Fourth Fund*	2006	\$11,644,465	\$10,175,478	\$5,102,368	\$9,910,745	\$15,013,113	1.5		
Cinven Fifth Fund*	2012	\$19,704,815	\$5,643,209	\$13,249	\$5,913,699	\$5,926,948	1.1		
CVC Capital Partners VI*	2013	\$21,337,300	\$152,025	\$0	\$152,025	\$152,025	1.0		
CVC European Equity Partners II	1998	\$10,000,000	\$9,218,056	\$21,496,267	\$386,417	\$21,882,684	2.4		
CVC European Equity Partners III	2001	\$15,000,000	\$14,325,025	\$41,316,631	\$567,447	\$41,884,078	2.9		
CVC European Equity Partners IV*	2005	\$26,362,124	\$23,156,778	\$35,324,837	\$9,054,127	\$44,378,964	1.9		
CVC European Equity Partners V*	2008	\$17,257,778	\$14,206,549	\$6,394,754	\$12,384,554	\$18,779,308	1.3		
ECI 8*	2005	\$9,346,392	\$9,181,512	\$4,934,271	\$3,098,806	\$8,033,078	0.9		

\* Non-U.S. dollar denominated Portfolio Fund.

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						TVPI	IRR
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value			
<u>Buyouts and Special Situations</u>									
ECI 9*	2009	\$10,751,501	\$9,000,062	\$1,614,645	\$10,853,513	\$12,468,159	1.4		
EIF United States Power Fund IV	2011	\$7,000,000	\$2,859,161	\$299,892	\$2,375,135	\$2,675,027	0.9		
EnCap Energy Capital Fund VIII	2010	\$3,500,846	\$2,257,654	\$198,045	\$2,345,641	\$2,543,686	1.1		
EnCap Energy Capital Fund VIII Co-Investors	2011	\$900,000	\$617,848	\$0	\$732,608	\$732,608	1.2		
EnCap Energy Capital Fund IX	2013	\$16,000,000	\$2,480,184	\$0	\$2,284,660	\$2,284,660	0.9		
Energy Spectrum Partners VI	2010	\$7,001,433	\$3,127,497	\$0	\$3,051,356	\$3,051,356	1.0		
Eos Capital Partners IV	2007	\$5,000,000	\$4,590,070	\$1,152,681	\$4,156,261	\$5,308,942	1.2		
EQT IV*	2004	\$10,408,093	\$10,301,213	\$17,740,073	\$4,267,116	\$22,007,189	2.1		
EQT V*	2006	\$12,868,470	\$12,094,414	\$11,362,212	\$5,366,989	\$16,729,201	1.4		
First Reserve Fund X	2004	\$10,000,000	\$10,000,000	\$17,614,242	\$811,316	\$18,425,558	1.8		
First Reserve Fund XI	2006	\$15,000,000	\$15,000,000	\$7,029,373	\$9,121,622	\$16,150,995	1.1		
First Reserve Fund XII	2008	\$20,040,697	\$17,747,372	\$4,494,708	\$16,125,030	\$20,619,738	1.2		
Great Hill Equity Partners V	2013	\$10,000,000	\$0	\$0	\$0	\$0	0.0		
Green Equity Investors V	2007	\$10,348,097	\$9,786,782	\$8,018,951	\$7,630,803	\$15,649,754	1.6		
Green Equity Investors VI	2012	\$20,000,000	\$4,212,152	\$58,751	\$4,226,892	\$4,285,643	1.0		
GTCR Fund VI	1998	\$25,000,000	\$25,000,000	\$21,614,878	\$639,730	\$22,254,608	0.9		
GTCR Fund VII	2000	\$15,002,243	\$14,889,743	\$35,034,393	\$73,552	\$35,107,945	2.4		
GTCR Fund VIII	2003	\$10,000,000	\$9,252,480	\$13,554,495	\$1,921,985	\$15,476,480	1.7		
GTCR Fund IX	2006	\$10,000,000	\$9,271,991	\$6,974,189	\$7,625,376	\$14,599,565	1.6		
GTCR Fund X	2011	\$20,000,000	\$15,489,721	\$680,433	\$17,849,260	\$18,529,693	1.2		
GTCR Fund XI	2013	\$20,000,000	\$0	\$0	\$0	\$0	0.0		
Harvest Partners VI	2011	\$10,004,025	\$4,381,965	\$20,102	\$4,981,129	\$5,001,231	1.1		
Hellman & Friedman Capital Partners VII	2011	\$10,000,000	\$5,882,625	\$477,133	\$5,820,636	\$6,297,769	1.1		
ISIS V*	2012	\$9,792,056	\$1,959,781	\$0	\$1,818,203	\$1,818,203	0.9		
Kelso Investment Associates VII	2004	\$25,000,000	\$23,757,453	\$37,322,847	\$3,677,989	\$41,000,836	1.7		

\* Non-U.S. dollar denominated Portfolio Fund.

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)						IRR
		Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value	TVPI	
<b><u>Buyouts and Special Situations</u></b>								
Kelso Investment Associates VIII	2007	\$20,000,000	\$16,744,151	\$2,142,198	\$15,307,197	\$17,449,395	1.0	
KKR 2006 Fund	2006	\$10,529,984	\$9,959,847	\$5,687,587	\$7,770,423	\$13,458,010	1.4	
Madison Dearborn Capital Partners IV	2000	\$13,000,000	\$12,581,554	\$22,432,282	\$1,952,043	\$24,384,325	1.9	
Madison Dearborn Capital Partners V	2006	\$15,696,806	\$13,315,598	\$6,443,724	\$12,981,214	\$19,424,938	1.5	
Madison Dearborn Capital Partners VI	2008	\$21,171,217	\$13,839,682	\$6,263,325	\$12,320,153	\$18,583,478	1.3	
Montagu IV*	2011	\$10,277,378	\$3,699,635	\$649,284	\$3,703,735	\$4,353,020	1.2	
Oak Hill Capital Partners	1999	\$10,000,000	\$10,000,000	\$17,964,129	\$142,167	\$18,106,296	1.8	
Oak Hill Capital Partners II	2005	\$25,000,000	\$24,790,299	\$31,052,835	\$7,166,625	\$38,219,460	1.5	
Oak Hill Capital Partners III	2007	\$20,000,000	\$14,713,187	\$4,249,222	\$16,066,435	\$20,315,657	1.4	
Sentinel Capital Partners V	2013	\$3,300,000	\$0	\$0	\$0	\$0	0.0	
Spectrum Equity Investors V	2006	\$15,000,000	\$14,062,500	\$23,611,202	\$5,767,864	\$29,379,066	2.1	
Spectrum Equity Investors VI	2010	\$7,500,000	\$5,756,250	\$0	\$6,236,486	\$6,236,486	1.1	
Summit Partners Subordinated Debt Fund IV-A	2009	\$8,000,000	\$6,176,944	\$2,366,232	\$4,746,395	\$7,112,627	1.2	
TA Subordinated Debt Fund III	2010	\$5,000,000	\$3,787,500	\$1,612,500	\$3,098,859	\$4,711,359	1.2	
The Resolute Fund	2002	\$20,000,000	\$18,928,205	\$39,895,751	\$3,707,917	\$43,603,668	2.3	
The Resolute Fund II	2007	\$20,020,429	\$17,588,158	\$3,278,091	\$19,593,431	\$22,871,522	1.3	
The Resolute Fund III	2013	\$20,000,000	\$78,624	\$0	\$78,624	\$78,624	1.0	
Thomas H. Lee Equity Fund V	2000	\$26,367,837	\$26,159,624	\$40,313,881	\$2,217,194	\$42,531,075	1.6	
Thomas H. Lee Equity Fund VI	2006	\$10,693,170	\$8,937,219	\$2,614,492	\$8,813,748	\$11,428,240	1.3	
Trident V (Stone Point)	2010	\$15,016,858	\$11,184,751	\$9,349	\$11,942,227	\$11,951,576	1.1	
Trident VI (Stone Point)	2013	\$20,000,000	\$0	\$0	\$0	\$0	0.0	
Vestar Capital Partners IV	1999	\$7,908,815	\$7,788,317	\$12,800,912	\$1,046,434	\$13,847,346	1.8	
Vestar Capital Partners V	2005	\$12,000,000	\$11,906,632	\$3,562,428	\$10,407,171	\$13,969,599	1.2	
Vitruvian Investment Partners II*	2013	\$10,027,875	\$147,304	\$0	\$147,304	\$147,304	1.0	
VS&A Communications Partners III	1999	\$7,500,000	\$7,440,476	\$10,024,333	\$214,444	\$10,238,777	1.4	

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

		As of March 31, 2014 (est.)						
Portfolio Funds	Vintage Year	Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value	TVPI	IRR
<u>Buyouts and Special Situations</u>								
Warburg Pincus Private Equity VIII	2001	\$20,069,361	\$20,069,361	\$36,725,866	\$12,532,820	\$49,258,686	2.5	
Warburg Pincus Private Equity X	2007	\$20,000,000	\$20,000,000	\$9,898,917	\$17,377,943	\$27,276,861	1.4	
Warburg Pincus Private Equity XI	2012	\$20,000,000	\$6,080,000	\$451,940	\$6,133,791	\$6,585,731	1.1	
Warburg, Pincus Equity Partners	1998	\$25,000,000	\$25,000,000	\$40,071,032	\$775,554	\$40,846,586	1.6	
Welsh, Carson, Anderson & Stowe VIII	1998	\$25,000,000	\$25,000,000	\$32,167,490	\$30,691	\$32,198,181	1.3	
Welsh, Carson, Anderson & Stowe IX	2000	\$20,000,000	\$19,800,000	\$29,190,952	\$2,608,436	\$31,799,388	1.6	
Welsh, Carson, Anderson & Stowe X	2005	\$15,086,770	\$14,786,770	\$10,003,815	\$11,450,726	\$21,454,541	1.5	
Welsh, Carson, Anderson & Stowe XI	2009	\$20,000,000	\$17,171,877	\$4,943,348	\$18,521,082	\$23,464,430	1.4	
<b>Total Buyouts and Special Situations</b>		<b>\$1,165,161,964</b>	<b>\$876,515,866</b>	<b>\$913,267,068</b>	<b>\$448,444,602</b>	<b>\$1,361,711,670</b>	<b>1.6</b>	<b>+11.4%</b>

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# Statement of Investments – Current Portfolio

ABBOTT CAPITAL

<i>As of March 31, 2014 (est.)</i>									
Portfolio Funds	Type	Vintage Year	Amount Committed	Amount Paid-In	Total Distributions	Latest Valuation	Total Value	TVPI	IRR
<b>Secondaries</b>									
Advent International GPE V-B*	BO & SS	2005	\$2,543,763	\$2,274,823	\$2,472,300	\$1,015,161	\$3,487,461	1.5	
M/C Venture Partners V	VC & GE	2000	\$2,705,634	\$2,691,457	\$2,944,243	\$167,787	\$3,112,030	1.2	
Morgenthaler Partners VI	VC & GE	2000	\$147,000	\$147,000	\$155,949	\$9,748	\$165,697	1.1	
Morgenthaler Partners VII	VC & GE	2001	\$690,962	\$690,961	\$553,228	\$173,278	\$726,506	1.1	
Oak Investment Partners IX	VC & GE	1999	\$322,387	\$322,387	\$589,084	\$100,478	\$689,562	2.1	
Oak Investment Partners VIII	VC & GE	1998	\$75,508	\$75,508	\$192,012	\$11,259	\$203,271	2.7	
Oak Investment Partners X	VC & GE	2001	\$311,998	\$311,999	\$383,738	\$161,915	\$545,653	1.7	
Oak Investment Partners X	VC & GE	2001	\$701,390	\$701,390	\$914,743	\$411,216	\$1,325,960	1.9	
Oak Investment Partners XII	VC & GE	2006	\$571,266	\$571,266	\$303,706	\$667,651	\$971,357	1.7	
Oak Investment Partners XII	VC & GE	2006	\$3,207,162	\$3,207,162	\$1,190,802	\$3,893,018	\$5,083,821	1.6	
Summit Partners Private Equity Fund VII-A	VC & GE	2006	\$2,245,401	\$2,245,401	\$501,383	\$2,829,536	\$3,330,919	1.5	
TA X	VC & GE	2006	\$364,663	\$336,027	\$106,364	\$457,226	\$563,590	1.7	
The Resolute Fund	BO & SS	2002	\$3,366,380	\$3,087,715	\$3,394,829	\$964,014	\$4,358,843	1.4	
U.S. Venture Partners VI	VC & GE	1999	\$57,271	\$57,271	\$117,158	\$14,669	\$131,827	2.3	
U.S. Venture Partners VII	VC & GE	2000	\$245,954	\$245,954	\$560,011	\$189,931	\$749,942	3.0	
U.S. Venture Partners VIII	VC & GE	2001	\$903,065	\$840,138	\$3,067,618	\$710,633	\$3,778,251	4.5	
<b>Total Secondaries</b>			<b>\$18,459,804</b>	<b>\$17,806,460</b>	<b>\$17,447,169</b>	<b>\$11,777,520</b>	<b>\$29,224,689</b>	<b>1.6</b>	<b>+21.6%</b>

\* Non-U.S. dollar denominated Portfolio Fund.

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# Statement of Investments – Liquidated Portfolio

Portfolio Funds	Vintage Year	As of March 31, 2014 (est.)				IRR
		Amount Committed	Amount Paid-In	Total Proceeds	TVPI	
<u>Liquidated</u>						
Alta Communications VII	1998	\$12,000,000	\$12,000,000	\$11,484,196	1.0	
CCEP II (QP) - Riviera	1999	\$157,550	\$157,550	\$4,025	0.0	
El Dorado Ventures V	1999	\$5,000,000	\$5,000,000	\$2,827,440	0.6	
First Reserve Fund IX	2001	\$15,000,000	\$15,000,000	\$44,971,370	3.0	
First Reserve Fund VIII	1998	\$20,789,303	\$20,019,582	\$39,941,067	2.0	
GTCR Fund VIIA	2001	\$5,000,000	\$3,312,500	\$9,250,772	2.8	
Kelso Investment Associates VI	1998	\$25,000,000	\$21,147,011	\$29,514,170	1.4	
M/C Venture Partners IV	1999	\$7,500,000	\$6,937,500	\$5,202,148	0.7	
M/C Venture Partners IV - Secondary	1999	\$775,000	\$700,000	\$493,184	0.7	
Madison Dearborn Capital Partners III	1999	\$15,000,000	\$14,875,733	\$22,738,195	1.5	
Mayfield X	1999	\$2,300,000	\$2,300,000	\$489,547	0.2	
Mayfield X Annex	2002	\$338,553	\$220,059	\$244,574	1.1	
Mezzanine Management Fund III	2000	\$8,063,342	\$7,845,672	\$9,826,759	1.3	
Phildrew Ventures Fifth Fund*	1999	\$3,765,068	\$3,701,952	\$1,969,162	0.5	
TA Subordinated Debt Fund	2000	\$15,000,000	\$15,000,000	\$22,249,326	1.5	
Thomas H. Lee Equity Fund IV	1998	\$9,456,157	\$9,021,376	\$7,834,457	0.9	
Three Cities Fund III	1999	\$9,558,084	\$9,549,242	\$17,766,936	1.9	
Three Cities Fund III - Secondary	1999	\$1,794,926	\$1,790,505	\$7,814,039	4.4	
<b>Total Liquidated</b>		<b>\$156,497,984</b>	<b>\$148,578,682</b>	<b>\$234,621,368</b>	<b>1.6</b>	<b>+10.4%</b>

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# Pathway Capital Management

**Mandate:** Private Equity

**Hired:** 2002

Firm Information	Investment Approach	Total ARMB Mandate
<p>Founded in 1991, Pathway creates and manages private equity separate accounts and funds of funds for institutional investors worldwide. Pathway manages capital on behalf of some of the largest corporate and public pension plans, government entities, and financial institutions around the globe. The firm manages assets of \$28.6 billion.</p> <p>Pathway is registered as an investment advisor with the SEC in the United States and as a portfolio manager and exempt market dealer in Ontario, Quebec, and Saskatchewan, Canada. Pathway's wholly owned UK subsidiary is regulated in the UK by the Financial Services Authority.</p> <p><b>Key Executives:</b> Jim Chambliss, Managing Director Canyon Lew, Director</p>	<p>Pathway's decision-making process uses a team approach; no one individual has authority to make decisions regarding portfolio management without the input of other senior professionals.</p> <p>Final investment decisions are made by the Investment Committee comprised of four senior managing directors and four managing directors.</p> <p>Pathway is extremely selective in choosing private equity investment funds. Every partnership must meet rigid standards regarding the overall quality of the investment opportunity, such as:</p> <ul style="list-style-type: none"> <li>▪ Target markets that can support private equity investing;</li> <li>▪ Long-term and proven private equity business model;</li> <li>▪ Stable management team operating under a consistent firm culture;</li> <li>▪ Proven access to high-quality investment opportunities and resources;</li> <li>▪ Strong track record.</li> </ul> <p><b>Benchmark:</b> Russell 3000 +350 basis points and the Thomson Reuters vintage year peer comparison.</p>	<p><b>Assets Under Management: (3/31/14)</b> Commitments: \$1,527 million Market Value: \$ 823 million</p> <p>FY 13 Management Fees: \$2.2 million</p>

**Concerns:** None

## Performance

The since inception internal rate of return (IRR) for Pathway's ARMB portfolio is 13.9% through 03/31/2014, which compares favorably with the public market equivalent return for the Russell 3000 of 7.1%.

In Callan's vintage year comparison of the Pathway portfolio and the Thomson Reuters database from 2001 through 2009, the Pathway portfolio is in the top quartile for 7 years and in the second quartile for 2 years.



Presentation Prepared For

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# Alaska Retirement Management Board

June 26, 2014





- Pathway Update
- Private Equity Environment
- Portfolio Update
- Appendix



# Pathway Update



## Pathway Overview

- **Established**—1991
- **Assets Under Management**—\$28.6 billion<sup>1</sup>
- **Global Investor Base**—Institutions across North America, Europe, and Asia
  - Corporate Pension Funds
  - Financial Institutions
  - Public Pension Funds and Trusts
  - Foundations and Endowments
  - Sovereign Wealth Entities
- **Ownership**—Independent, 100% partner owned
- **Personnel**—105 employees, including 35 investment professionals, supported by a deep team of legal, accounting, client services, information technology, and administrative personnel
- **Locations**—California • Rhode Island • London • Hong Kong • Tokyo<sup>2</sup>
- **Global Private Equity Specialist**—Pathway creates specialized private equity funds for institutional investors.

SEC-Registered ■ FCA-Regulated ■ SFC-Regulated

1. Represents roll-forward market value plus undrawn capital at March 31, 2014.

2. Strategic alliance with Tokio Marine Asset Management, a Japanese investment adviser.



# Organizational Chart

## Partners

<b>Douglas K. Le Bon</b> Senior Managing Director	<b>James H. Reinhardt</b> Senior Managing Director	<b>Karen J. Jakobi</b> Senior Managing Director & CIO	<b>Alex M. Casbolt<sup>†</sup></b> Managing Director	<b>James R. Chambliss</b> Managing Director	<b>James E. Heath<sup>†</sup></b> Managing Director
<b>Thomas W. Laders*</b> Managing Director	<b>Richard S. Mazer</b> Managing Director	<b>Terrence G. Melican</b> Managing Director	<b>Milt M. Best, CFA</b> Director & CCO	<b>Anne M. Collins*</b> Director	<b>Vincent P. Dee, CFA</b> Director
<b>Curtis P. Gerlach</b> Director & CFO	<b>Canyon J. Lew</b> Director	<b>Derrek I. Ransford, CFA</b> Director	<b>Valerie A. Ruddick</b> Director	<b>Wayne D. Smith, CFA*</b> Director	<b>Pete Veravanich</b> Director

## Investing & Reporting

<b>Paul J. de Groot, CFA</b> Sr. Vice President	<b>Jason C. Jenkins, CFA</b> Sr. Vice President	<b>Matthew M. Lugar*</b> Sr. Vice President	<b>Simon Y.S. Lau<sup>†</sup></b> Vice President	<b>Mikael Sand, CFA<sup>†</sup></b> Vice President	<b>Joseph C. Tien<sup>†</sup></b> Vice President	<b>Matthew J. Coyne*</b> Sr. Associate	<b>Nicholas J. Siemsen, CFA</b> Sr. Associate	<b>Stefan Goettl<sup>†</sup></b> Associate	<b>Bryan P. Nelson</b> Associate
<b>John T. Ruggieri, CFA*</b> Associate	<b>Jeffrey L. Bures*</b> Sr. Investment Analyst	<b>Sean J. Castillo</b> Sr. Investment Analyst	<b>Justin C. Maney</b> Sr. Investment Analyst	<b>Jeremy N. Ebstein</b> Investment Analyst	<b>Petros Krappas<sup>†</sup></b> Investment Analyst	<b>Jenna R. Sandvig</b> Investment Analyst	<b>Blessie Vizconde</b> Investment Analyst	<b>Tonie X. Zhu</b> Investment Analyst	

## Corporate Accounting

<b>Christine P. Cornejo, CPA (inactive)</b> Sr. Vice President—Corporate Finance	<b>Lori L. Espinosa</b> Accounting Manager
<b>Stacey A. Jaswell</b> Sr. Staff Accountant	<b>Eric A. Thomson, CPA</b> Sr. Staff Accountant
<b>Mitzi Ledesma</b> Payroll/HR Administrator	

## Fund Accounting

<b>Raquel J. Nicolas, CPA</b> Sr. Vice President—Finance	<b>Won C. Chung, CPA (inactive)</b> Controller	<b>Katie Doan, CPA (inactive)</b> Controller	<b>Kenneth Y. Loh, CPA (inactive)</b> Controller
<b>Melanie Z. McKinley</b> Sr. Accountant	<b>Tammy M. Nguyen, CPA (inactive)</b> Sr. Accountant	<b>Brandi Sergeyev, CPA</b> Sr. Accountant	<b>Mark V. Alviz, CPA</b> Accountant
<b>Kristine N. Guevara, CPA</b> Accountant	<b>Nora Herand-Yesire</b> Accountant	<b>Patrick Y. Kim, CPA</b> Accountant	<b>Hardik H. Patel</b> Accountant
<b>Heidi T. Jauregui</b> Sr. Operations Specialist	<b>Katherine M. Dabu</b> Operations Specialist	<b>Amanda I. Erwin</b> Operations Specialist	<b>Uyen T. Hoang</b> Operations Specialist
			<b>Rochele L. Porpora</b> Operations Specialist

## Tax

<b>Dustin T. Hankins, JD, CPA</b> Sr. Tax Manager	<b>Rose L. Carter, CPA</b> Sr. Tax Manager
<b>Michael A. Codipilly</b> Tax Accountant	<b>Erik Gonzalez</b> Tax Accountant
<b>Allison M. Altman</b> Tax Administrator	

## Compliance

<b>Stefanie A. Karp</b> Sr. Associate	<b>Isabel M. Rosser</b> Sr. Compliance Assistant
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## Legal

<b>Michael C. Draffin, Esq.</b> Sr. VP & General Counsel	<b>Camille L. Pedigo, Esq.</b> VP & Asst. General Counsel	<b>Ashok K. Tripathi, Esq.</b> VP & Asst. General Counsel	<b>Charles H. Caliman II, Esq.</b> Counsel	<b>Patricia C. Kilmann</b> Mgr.—Legal Administration
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## Client Services

<b>Linda S. Chaffin</b> Vice President	<b>Charlie D. Jolly<sup>†</sup></b> Vice President	<b>Connie Han</b> Associate	<b>Martin J. Wing</b> Associate	<b>Jessica C. Campbell</b> Sr. Marketing Analyst
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## Editorial & Production

<b>Christopher M. Lopez</b> Editor & Production Manager	<b>Jeanine M. Julian</b> Sr. Graphic Designer
<b>Kristy R. Valadez</b> Sr. Graphic Designer	

## Systems Administration

<b>Brian M. Leyran</b> Systems Administration Mgr.
<b>Heino F. Luttich</b> Sr. Systems Administrator
<b>Dustin H. Smith</b> Sr. Systems Administrator

## Software Development

<b>Michael C. Long</b> Mgr.—Software Development	<b>Rodney D. Kent</b> Sr. Software Developer
<b>Dat T. Nguyen</b> Software Developer	

## Human Resources

<b>Laurie N. Kiley</b> Vice President of HR
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## Administrative

<b>Reeny A. Higuchi</b> Office Mgr.	<b>Michelle M. Loel</b> Mgr.—Investment Admin.	<b>Natalie S. Alvarez</b>
<b>Monica A. Burgos<sup>†</sup></b>	<b>Kelly N. Charlshe</b>	<b>Candice J. Benson</b>
<b>Mia N. Chimento</b>	<b>Sandra A. Clay</b>	<b>Elinor Cheung<sup>†</sup></b>
<b>Meri K. Eaton</b>	<b>Deanna L. Handy</b>	<b>Terri A. D'Amore</b>
<b>Kathleen G. Kling</b>	<b>Jennifer A. Leddy*</b>	<b>Liv Joie</b>
		<b>Megan M. Osborn</b>

\*Rhode Island staff. <sup>†</sup>London staff. <sup>‡</sup>Hong Kong staff.



# Private Equity Environment



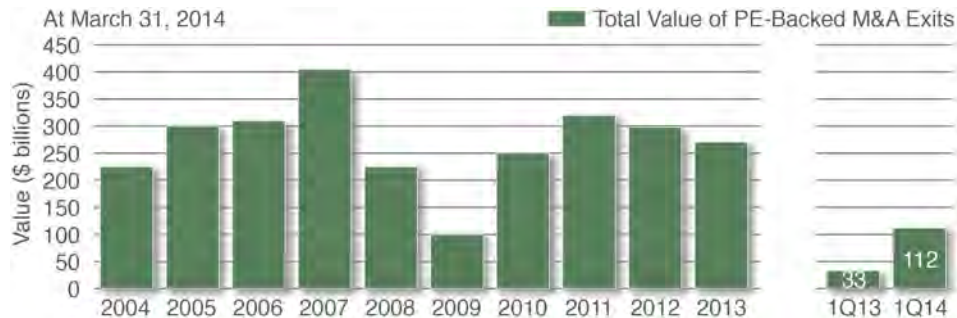
### Overview

- The private equity industry continues to perform well, particularly in the U.S. and Europe.
- Exit markets for private equity-backed companies remain favorable: 2013 was a record-setting year for private equity-backed IPOs and follow-on offerings in the U.S.
- Non-investment-grade credit markets are accommodative: debt financing is widely available at attractive terms.
- Buyout investment activity is increasing at a moderate pace; general partners are maintaining discipline in a competitive environment.
- Default rates and distress ratios remain at historically low levels.
- Global macroeconomic outlook is improving, though at an uneven pace across regions; overall private equity market sentiment is cautiously positive.



## Strong M&A and IPO Markets Are Driving High Levels of Exit Activity and Distributions

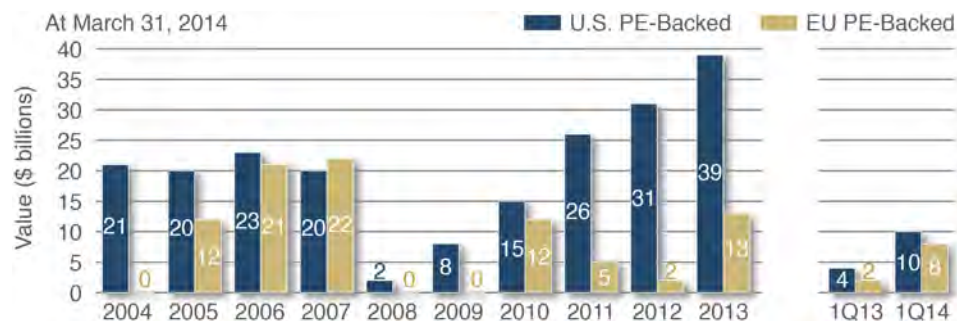
### Global PE-Backed M&A Exit Activity



### Top 1Q14 PE-Backed M&A Exits

Company	Acquirer	Value (bn)
WhatsApp	Facebook	\$19.0
Ono	Vodafone	\$10.0
Oriental Brewery	AB InBev	\$5.8

### Global PE-Backed IPO Issuance



### Top 1Q14 PE-Backed IPOs

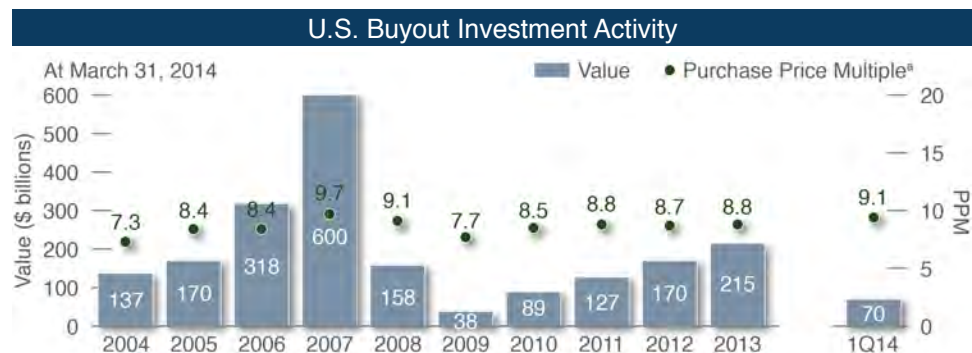
Company	Exchange	Value (bn)
Santander USA	NYSE	\$2.1
ISS	NASDAQ OMX Nordic	€1.1
Rice Energy	NYSE	\$1.1

- M&A exit activity for PE-Backed companies totaled \$112bn during 1Q14, the largest quarterly total since 2Q11.
  - Notably, during 1Q14, Sequoia-backed WhatsApp was acquired by Facebook for \$19.0bn; the acquisition represents the largest VC-backed M&A transaction in history and exceeds 2013's total VC-backed M&A transaction value (\$16.9bn).
- Robust activity has been driven by strategic acquirers with record-high cash balances seeking growth and product diversification.
- IPO markets in the U.S. and Europe remained strong in 1Q14, despite volatility in the equity markets.
  - During 1Q14, 54 PE-backed companies completed their IPOs on U.S. exchanges, raising \$10.2bn.
  - The first-quarter total was in line with the pace of 2013, during which 142 PE-backed companies raised \$39.1bn—the largest annual total in history.
  - The pace of European PE-backed IPO issuance increased significantly during the first quarter: 14 companies raised €5.5bn, more than half of 2013's total.





## Buyout Investment Activity Is Increasing at a Moderate Pace

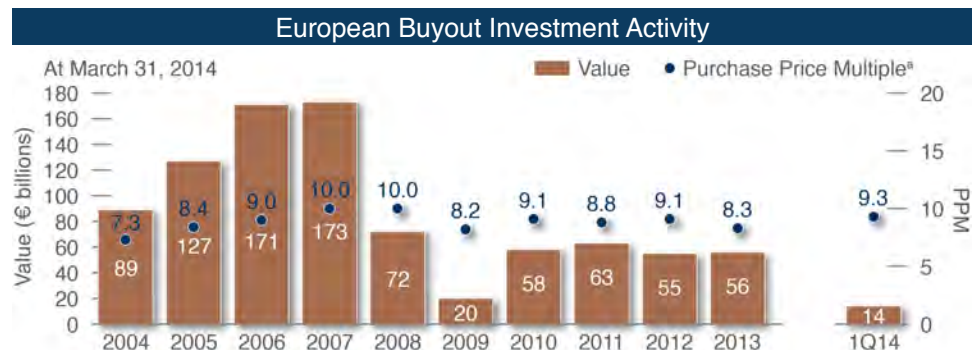


SOURCE: Thomson Reuters and S&P Capital IQ.

<sup>a</sup>Average PPM (as a multiple of EBITDA) of all LBOs.

**Top 1Q14 U.S. PE Investments**

Company	Value (bn)
Safeway	\$9.2
MultiPlan	\$4.4
J&J's Ortho Clinical Diagnostics	\$4.3



SOURCE: CMBOR, Ernst & Young, Equistone Partners Europe, and S&P Capital IQ.

<sup>a</sup>Average PPM (as a multiple of EBITDA) of LBOs with EV of €500 million or more.

**Top 1Q14 European PE Investments**

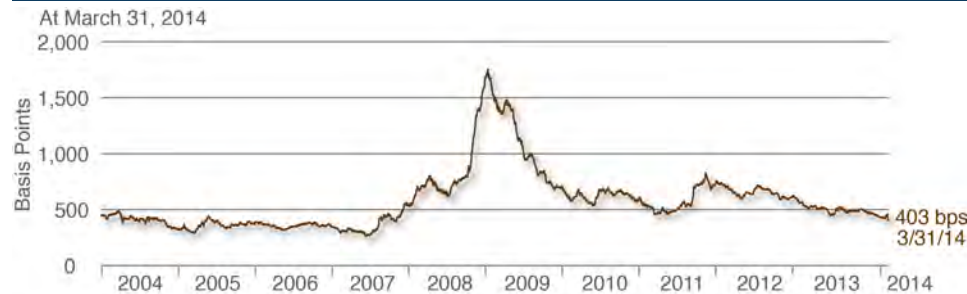
Company	Value (bn)
Scout24	€2.0
Unit4	€1.2
Trader Media	€0.7

- U.S. buyout investment activity has been supported by the country's relatively benign economic outlook, strong IPO and M&A exit activity, and accommodative credit markets.
  - During 1Q14, buyout firms announced \$70.3bn in investments in U.S.-based companies—a 15% increase from the prior quarter and an 8% decrease from the year-ago period (which included the \$27bn Heinz transaction).
  - Notable investment trends include corporate carveouts, public-to-private buyouts, and investment in the energy and technology sectors.
- European buyout activity increased modestly in 1Q14 but remained in line with the average quarterly total since 2010.
  - Buyouts of companies in the technology, media, and telecommunications sector accounted for the largest share of the 1Q14 total (28%), and the 3-largest transactions during the quarter came from the sector.
- GPs have remained disciplined despite robust credit markets and heightened competition from both strategic and financial buyers.
  - Average purchase price multiples in both the U.S. and Europe have increased since 2009 but remain below prior cycle peak levels.



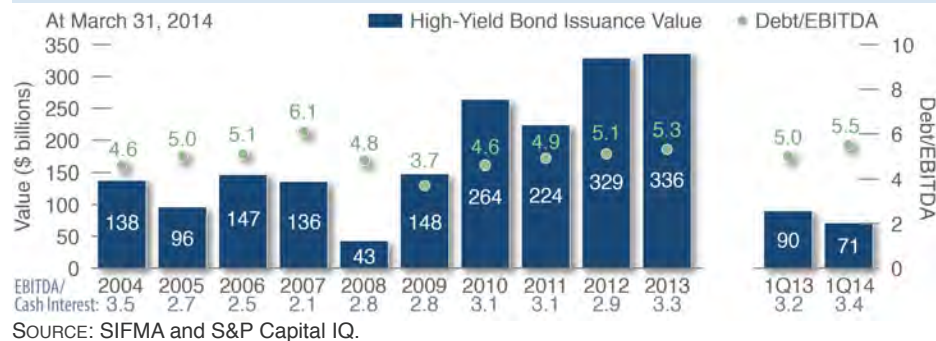
## Leveraged Credit Markets Are Accommodative

### High-Yield Bond Spreads Over U.S. Treasuries

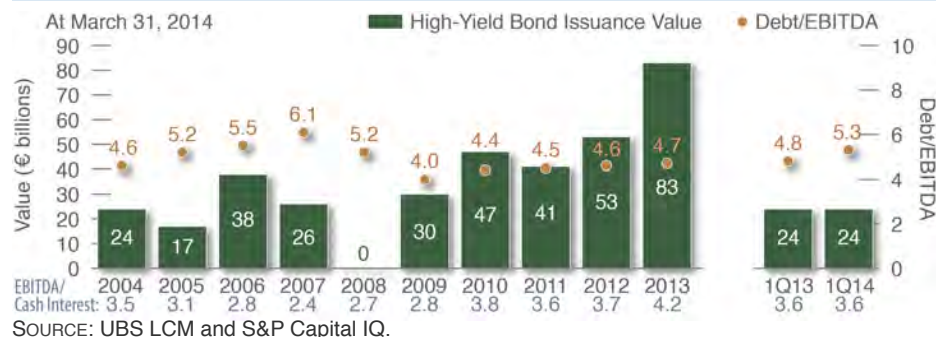


### Credit Statistics

#### United States



#### Europe

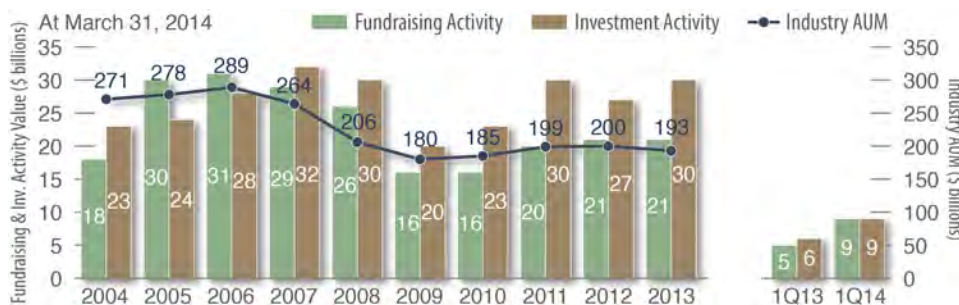


- Debt financing is available for most transactions at attractive terms. Credit spreads and yields remain at very low levels.
  - Secondary spreads for U.S. high-yield bonds averaged 403 bps at the end of 1Q14, down from 432 bps at the end of 2013.
  - Average yield-to-maturity for a new B-rated leveraged loan declined modestly during 1Q14 to 4.8%; it was 4.9% at the end of 2013.
  - Effective yield-to-maturity on high-yield debt securities decreased to 5.6% in 1Q14 from 5.9% at the end of 2013, according to Bank of America/Merrill Lynch.
- High-yield bond issuance in both the U.S. and Europe remained strong during 1Q14, following a record-setting year in 2013.
  - High-yield bond issuance in the U.S. reached an all-time high of \$336bn in 2013, surpassing the previous record set in 2012.
  - U.S. leveraged loan issuance totaled \$155bn in 1Q14. This is on pace with 2013 (\$605bn), a record-setting year.
  - The average debt-to-EBITDA multiple for new U.S. buyout loans was 5.5x in 1Q14, up slightly from 5.3x for all of 2013.
  - High-yield bond issuance in Europe reached €82.5bn in 2013, the highest annual total on record by a considerable margin.
  - The average debt-to-EBITDA multiple for new European buyout loans was 5.3x in 1Q14, up from 4.7x for all of 2013.



## Technological Advancements Are Driving Opportunities in Venture Capital

U.S. Venture Capital—Fundraising, Investment Activity, and Industry AUM



Top 1Q14 VC Investments

Company	Stage	Value (mm)
Dropbox Inc	Expansion	\$325
AirBnB Inc	Expansion	\$200
TANGOME INC	Expansion	\$200

SOURCE: PricewaterhouseCoopers/National Venture Capital Association MoneyTree™ Report, based on data from Thomson Reuters.

U.S. Venture Capital—IPO Activity



Top 1Q14 VC-Backed IPOs

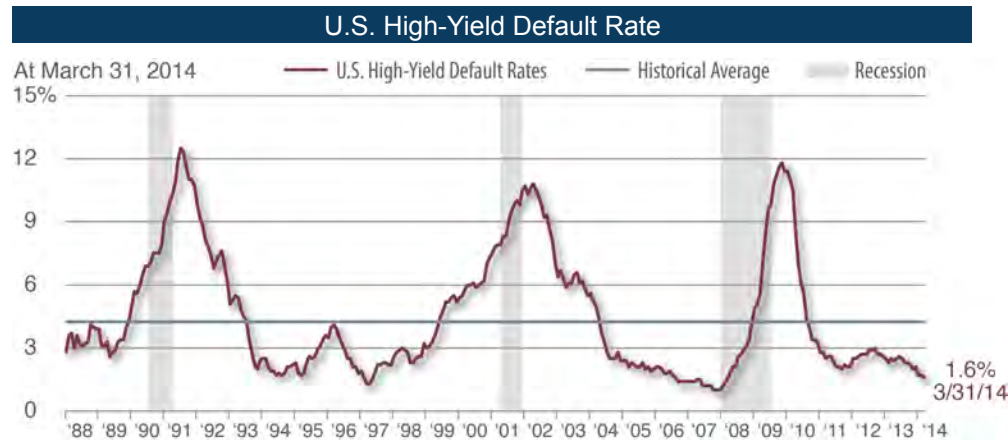
Company	Exchange	Value (mm)
King Digital Ent.	NYSE	\$500
Castlight Health	NYSE	\$204
Coupons.com	NYSE	\$193

SOURCE: Bloomberg and Thomson Reuters.

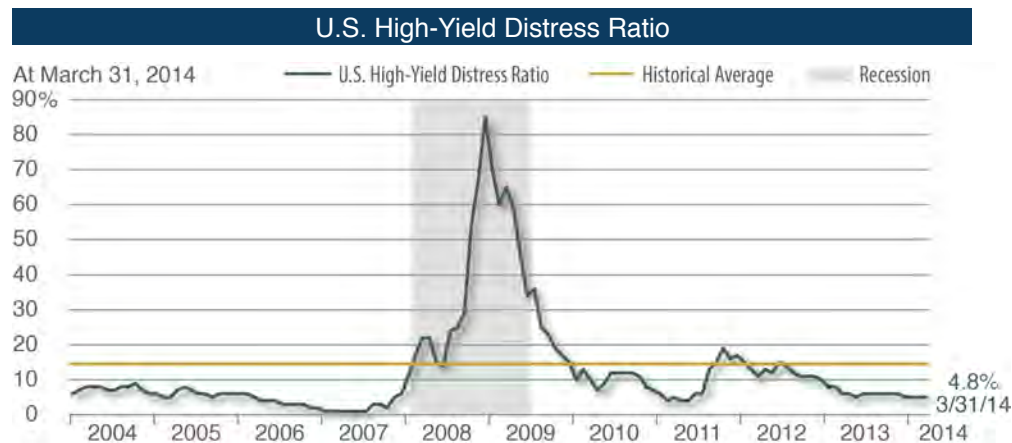
- Rapid pace of innovation and adoption across multiple disciplines is driving returns and opportunities in venture capital.
  - Areas of opportunity and interest are constantly shifting in response to technological advancements and adoption rates.
  - Over the past 7 years, more than 40 U.S. venture-backed companies have achieved valuations of at least \$1.0 billion.
- M&A and IPO exit markets for venture-backed companies have been strong.
  - 39 venture-backed companies priced their IPOs on U.S. exchanges in 1Q14—the most in a single quarter since 3Q00.
  - Established technology and life sciences companies have been actively acquiring VC-backed companies to drive growth and expand their product offerings.
- Venture capital industry has been *cash flow negative*: investment activity has outweighed fundraising activity each year since 2007.
- Capitalization of the industry has decreased significantly since reaching a peak in 2006.



## Distressed Debt Investment Activity Remains at Low Levels



SOURCE: S&P Ratings Direct and National Bureau of Economic Research..



SOURCE: S&P Ratings Direct.

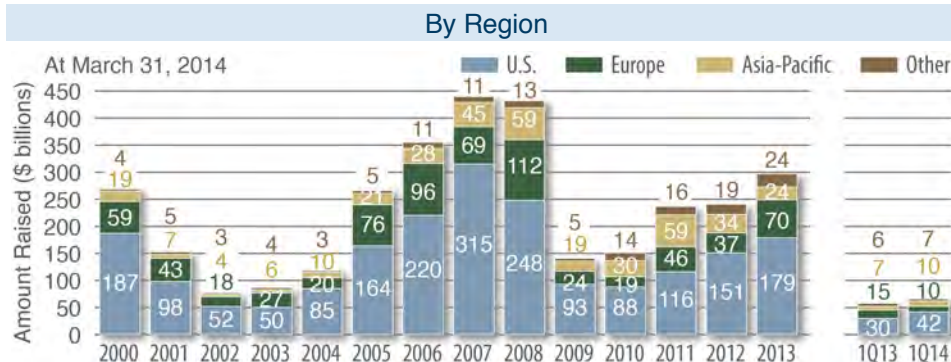
- Traditional distressed debt opportunity set (e.g., corporate bonds, bank loans) is a fraction of what it was in 2009.
  - U.S. high-yield default rate was 1.6% as of March 2014 vs. prior cycle peak of 11.5% in November 2009.
  - Dollar value of U.S. defaulted debt was \$73bn in 2013 vs. \$516bn in 2009.
  - Companies have exhibited stable operating performance and have benefited from relatively strong credit markets in the U.S.
- High-yield distress ratio has declined since reaching a 2-year high of 19.3% in October 2011.
  - Distress ratio (percentage of bonds with spreads of 1,000 bps or higher over U.S. Treasuries) was 4.8% as of March 2014.
- Many distressed managers have been anticipating an increase in European debt-related investment opportunities.
  - Investment activity in the region to date has been limited, due in part to the ECB's aggressive actions to contain the debt crisis.
  - Estimated €1.2 trillion in non-performing loans on the balance sheets of European banks, according to PwC.





## Fundraising Activity is Increasing, Though the Market Remains Highly Selective

### Worldwide Private Equity Fundraising



SOURCE: Thomson Reuters.

NOTES: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions.

Comprises buyout, venture capital, distressed and subordinated debt, energy, infrastructure, and other fund strategies.

Amounts may not foot due to rounding.

Data is continuously updated and is therefore subject to change.



SOURCE: Thomson Reuters.

NOTES: Fundraising amounts are based on net amounts raised, which are adjusted for fund-size reductions.

Amounts may not foot due to rounding.

Data is continuously updated and is therefore subject to change.

<sup>a</sup>Comprises subordinated debt, infrastructure, special situations, and other fund strategies not classified as either venture capital- or buyout-focused.

- Global private-equity fundraising activity has improved since 2009 as a result of attractive performance industry wide and an increase in distributions and investment activity; however, the fundraising market remains challenging for many general partners.
  - During 1Q14, private equity firms worldwide raised \$66bn. Although this amount was a 24% decline from the prior quarter—which had the largest quarterly fundraising total in more than 5 years—it still exceeded the 5-year quarterly average (\$54bn).
  - The quarter-over-quarter decrease was largely attributable to a decline in both U.S.- and Europe-focused fundraising, which was partially offset by a revival in Asia-Pacific-focused fundraising.
- Venture capital-focused funds experienced an upsurge in fundraising during 1Q14, raising \$13bn—an 85% increase from the prior quarter and the highest quarterly total since 4Q11.
- Emerging market-focused private equity fundraising activity has declined since reaching an all-time high in 2011.
  - Volatility and mixed performance in many emerging markets have negatively impacted investor sentiment.



# Portfolio Update



## ARMB Highlights

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### Commitments

- Reviewed 335 opportunities and conducted 345 due diligence meetings from June 1, 2013, to May 31, 2014.
- Committed \$150.8 million to 14 buyout, venture, restructuring, and special situation partnerships.

### Performance

- The portfolio generated gains of \$172.5 million and 1-year net IRR of 23.8% over the 12 months to March 31, 2014.
- Positive returns in all 4 quarters during this period.

### Portfolio Management

- Met every general partner at least once, including 61 one-on-one meetings with senior team members.
- Participated in 108 annual and advisory board meetings.

### Communication

- Made in-person update presentation to staff in Juneau (November 2013) and conducted numerous informal telephone discussions.
- Provided regular written updates through monthly, quarterly, environmental, investment analysis, ad-hoc, and client-specific reporting.



## 2014 Tactical Plan Review and Progress

At May 31, 2014

	Plan	Actual to Date
Commitments	\$175 million	\$74.2 million
Number of Partnerships	Up to 20 partnerships	7 partnerships
Size of Investments	\$10–\$20 million	\$10.6 million avg. commitment
Investment Strategies	Buyouts, Venture Capital, Special Situations, and Restructuring	Buyouts (4), Special Situations (2), Restructuring (1)

Strategy	2014 Plan		Commitments to Date	
	No. of Psps.	Targeted Commitments (MM)	No. of Psps.	Commitments (MM)
Buyouts	Up to 10	Up to \$125	4	\$53.0
Venture Capital	Up to 10	Up to \$100	–	–
Special Situations	Up to 5	Up to \$45	2	\$12.6
Restructuring	Up to 5	Up to \$45	1	\$8.6
<b>Total</b>	<b>Up to 20</b>	<b>\$175</b>	<b>7</b>	<b>\$74.2</b>





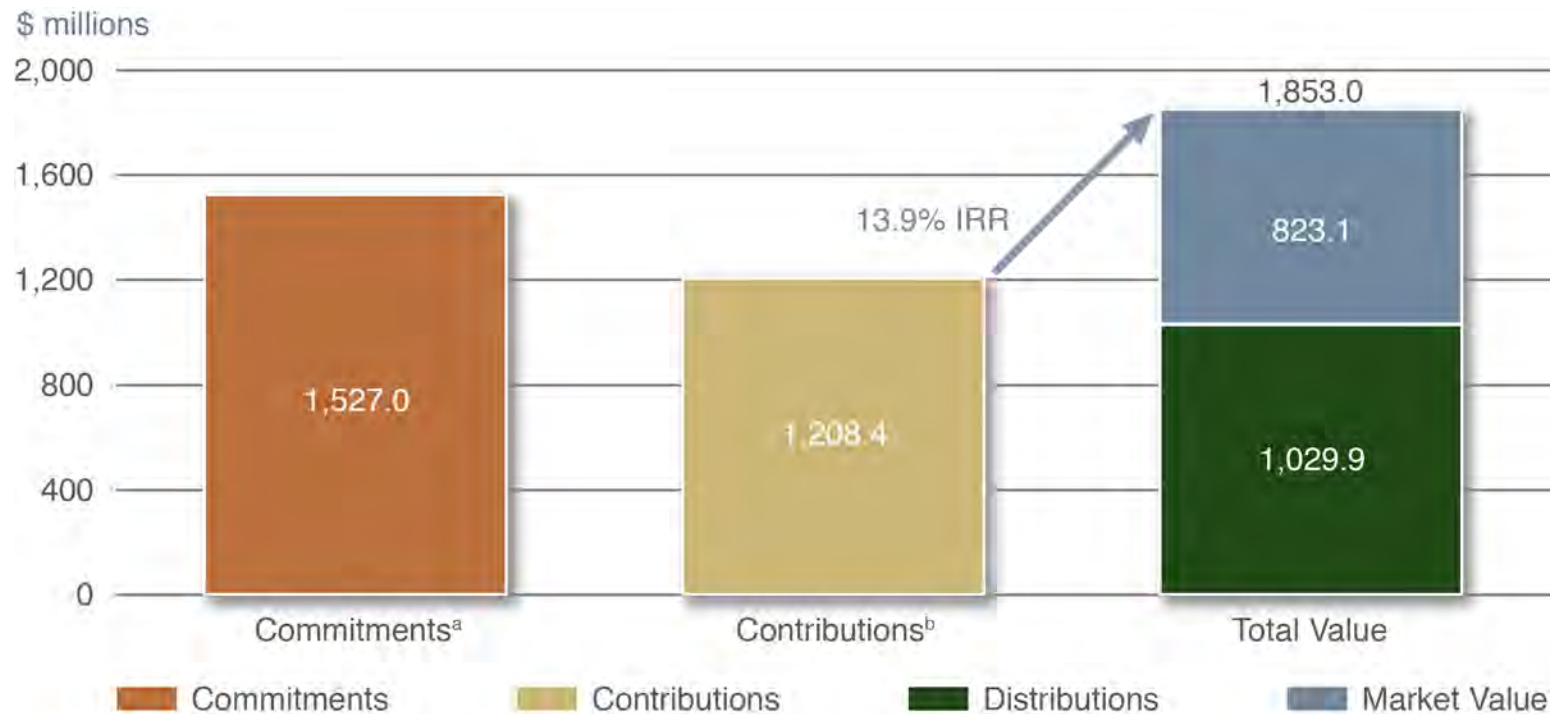
## 2014 Pipeline

Partnership	Strategy	Projected Fund Size	Expected VY	Description
Partnership A	SS–Diverse Strategies	\$1.0bn	2014	Growth equity investments in profitable, high-growth companies operating in the information services and software, digital media, and Internet industry sectors
Partnership B	BO–Medium	\$1.5bn	2014	Value-based buyout investments in middle-market businesses in the U.S.
Partnership C	BO–Medium	£800mm	2014	Control-oriented investments in UK-based, middle-market businesses in a variety of industry sectors
Partnership D	SS–Diverse Strategies	\$1.0bn	2015	Diversified-stage venture capital, as well as buyout investments, in software and business services companies
Partnership E	SS–Diverse Strategies	\$4.5bn	2015	Differentiated strategy that combines private equity and distressed debt disciplines to make control-oriented investments in a variety of industry sectors in the U.S. and Europe
Partnership F	BO–Large	\$9.0bn	2015	Long-term equity capital investments in companies in the media, marketing, and professional services industries, as well as in other financial services industries
Partnership G	VC–Early	\$600mm	2015	Early-stage venture capital investments in information technology and healthcare companies in the U.S., Israel, and India



## Financial Summary

At March 31, 2014



Inception: 2002

Partnerships: 118

Managers: 54

Average Age: 5.0 Years

NOTES: Performance is based on the most-recent information provided by the general partners, adjusted for cash flows through March 31, 2014. As of the printing of this presentation, 104 of the portfolio's 110 active partnerships, representing 94% of the portfolio's market value, had provided March 31, 2014, data. Amounts may not foot due to rounding.

<sup>a</sup>Commitments to non-USD-denominated partnerships are accounted for by multiplying unfunded commitments by the quarter-ending exchange rate, then adding the result to cumulative capital contributions, causing commitments to non-USD-denominated partnerships to fluctuate quarterly.

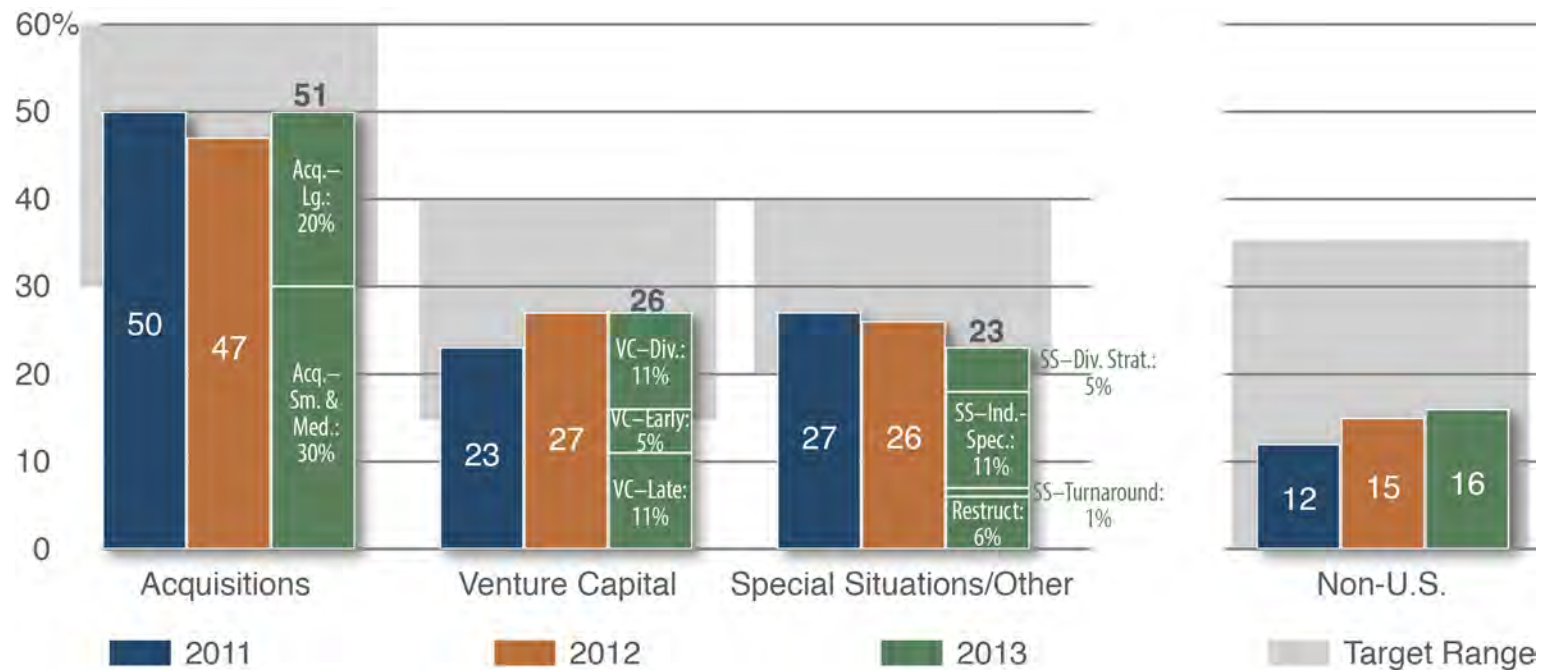
<sup>b</sup>Includes capital contributed for management fees called outside the total commitment.



## Investment Strategy Diversification

### Partnership Market Value plus Unfunded Commitments

At December 31, 2013



NOTE: Based on partnership market values and unfunded partnership commitments at December 31, plus new commitments made during the first quarter of the following year.

- Each investment strategy is within its long-term allocation target range, as of December 31, 2013.

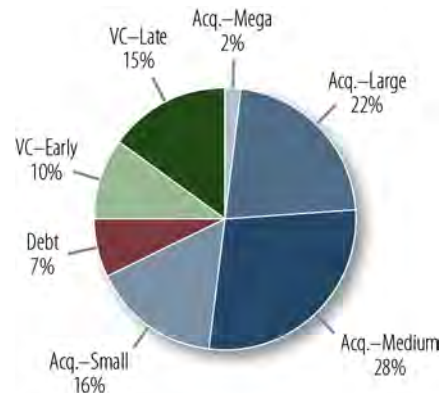


## Portfolio Diversification

Company Market Value—1,847 Investments

At December 31, 2013

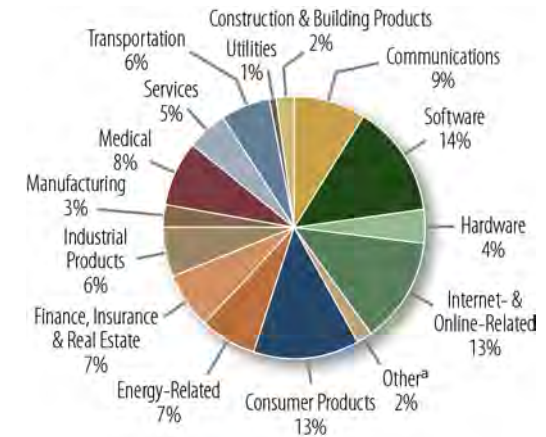
Strategy



NOTES: Acquisition substrategies are based on the following ranges of total enterprise values: Mega >\$10 billion, Large \$1–\$10 billion, Medium \$200 million–\$1 billion, and Small <\$200 million.

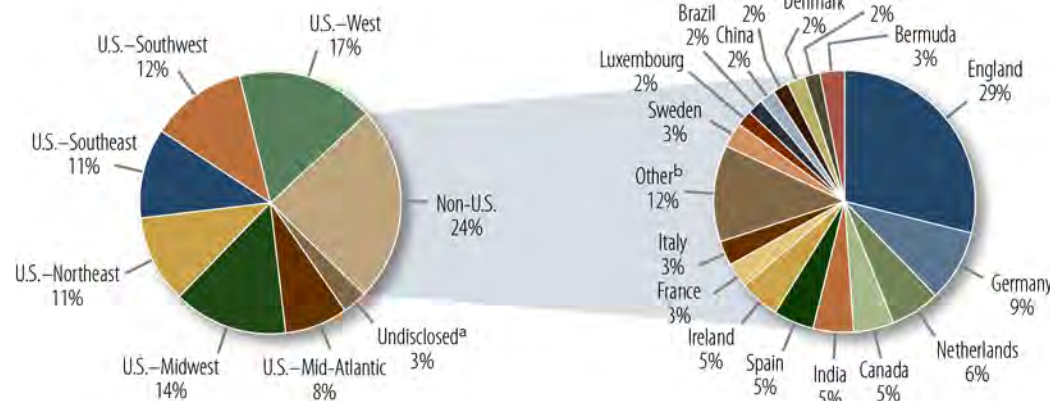
Excludes investments for which the general partners have not provided investment strategy classifications.

Industry



<sup>a</sup>Comprises agriculture-, forestry-, and fishing-related, as well as investments for which the general partners have not provided industry classifications.

Geographic Region



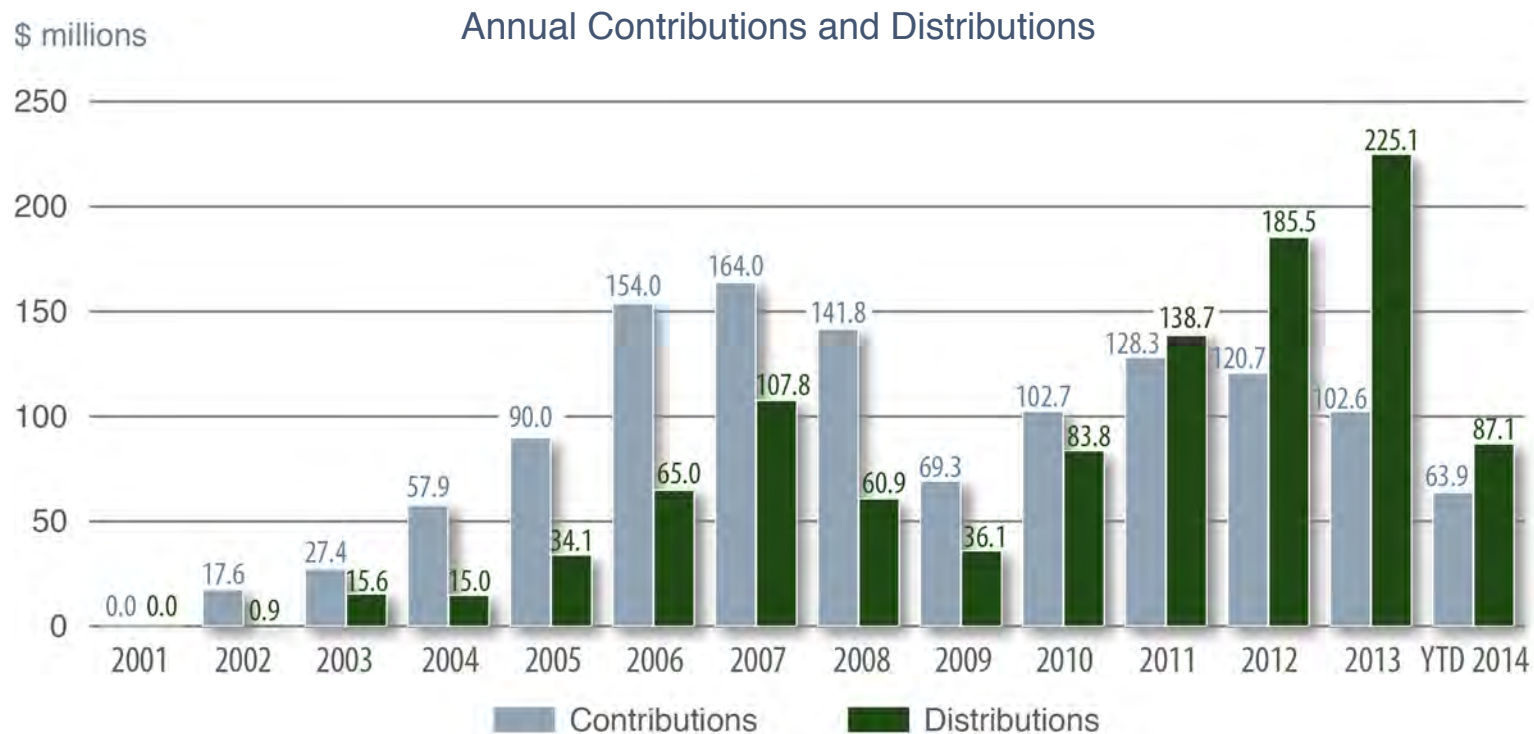
<sup>a</sup>Comprises investments for which the general partners have not provided geographic classifications.

<sup>b</sup>Comprises regions that each account for less than 2% of the portfolio's non-U.S. market value: Argentina, Austria, the Bahamas, British Virgin Islands, Cayman Islands, Czech Republic, Greece, Hong Kong, Hungary, Israel, Kenya, Mauritius, New Zealand, Norway, Philippines, Poland, Portugal, Russian Federation, Scotland, Singapore, Slovenia, South Korea, Switzerland, Taiwan, Turkey, and Ukraine.



## Contribution and Distribution Activity

At May 31, 2014



NOTES: Data is preliminary and subject to change.  
Amounts may not foot due to rounding.

- Contributions declined moderately in 2013, totaling \$103 million.
- The \$225 million distributed by ARMB's partnerships in 2013 represents the largest annual distribution total since the portfolio's inception, surpassing the prior record quarterly total by over \$39 million.
- Distributions outpaced contributions by a record \$123 million in 2013, marking the third-consecutive year in which the portfolio has generated positive net cash flow.
- 2014 is developing into another strong year for liquidity: 1Q14 distributions exceeded 1Q13 distributions by \$19 million.



## Portfolio Performance

At March 31, 2014

(\$ in millions)

	No. of Partnerships	Commitments <sup>a</sup>	Contributions <sup>b</sup>	Distributions	Market Value	Total Value	Gain/ Loss	Since-Incep. Net IRR
Mar 31, 2014	118	\$1,527.0	\$1,208.4	\$1,029.9	\$823.1	\$1,853.0	\$644.6	13.9%
Mar 31, 2013	107	1,403.1	1,093.9	785.7	780.3	1,566.0	472.0	12.7%
<b>YOY Change</b>	<b>11</b>	<b>\$123.9</b>	<b>\$114.5</b>	<b>\$244.3</b>	<b>\$42.8</b>	<b>\$287.0</b>	<b>\$172.5</b>	<b>1.2%</b>

NOTES: Performance is based on the most-recent information provided by the general partners, adjusted for cash flows through March 31, 2014. As of the printing of this presentation, 104 of the portfolio's 110 active partnerships, representing 94% of the portfolio's market value, had provided March 31, 2014, data. Amounts may not foot due to rounding.

<sup>a</sup>Commitments to non-USD-denominated partnerships are accounted for by multiplying the unfunded commitments by the quarter-ending exchange rate, then adding the result to cumulative capital contributions, causing commitments to non-USD-denominated partnerships to fluctuate.

<sup>b</sup>Includes capital contributed for management fees called outside the total commitment.

- During the 1-year period ended March 31, 2014, ARMB's portfolio generated a gain of \$172.5 million and a net return of 23.8%.
  - The portfolio posted positive performance in all 4 quarters of the 1-year period.
  - All 3 of the portfolio's core strategies generated 1-year returns in excess of 17%.
  - 96 of the portfolio's 102 partnerships active for more than 1 year generated a positive 1-year net return; 81 of these partnerships generated a double-digit 1-year return.



## 1-Year Performance Drivers

### By 1-Year Gain/Loss

At March 31, 2014

(\$ in millions)

Partnership	Vintage Year	Strategy	1-Year Gain	Since-Inception Gain	1-Year Net IRR
<b>Top Performers</b>					
<i>1-Year Gain &gt;\$4.0 million, 1-Year IRR &gt;25.0%</i>					
TCV VII	2008	VC–Late	7.7	12.0	50.5%
Odyssey IV	2008	Acquisitions–Medium	7.5	12.5	60.2%
Insight VI	2007	VC–Late	7.2	16.2	42.3%
Exponent II	2008	Acquisitions–Medium	5.6	5.3	75.4%
JMI V	2005	VC–Diversified	5.1	31.7	121.0%
H&F VI	2007	Acquisitions–Large	4.8	9.0	61.5%
Spectrum VI	2010	SS–Industry Specific	4.6	3.9	47.6%
Insight VII	2011	VC–Late	4.5	5.6	36.3%
Carlyle V	2007	Acquisitions–Large	4.2	10.2	26.8%
TPG IV	2003	SS–Diverse Strategies	4.2	21.0	44.9%

NOTE: Performance is based on the most-recent information provided by the general partners, adjusted for cash flows through March 31, 2014. As of the printing of this presentation, 104 of the portfolio's 110 active partnerships, representing 94% of the portfolio's market value, had provided March 31, 2014, data.





## Recent Significant Events within the ARMB Portfolio

### Notable IPO Pricings



### M&A Activity



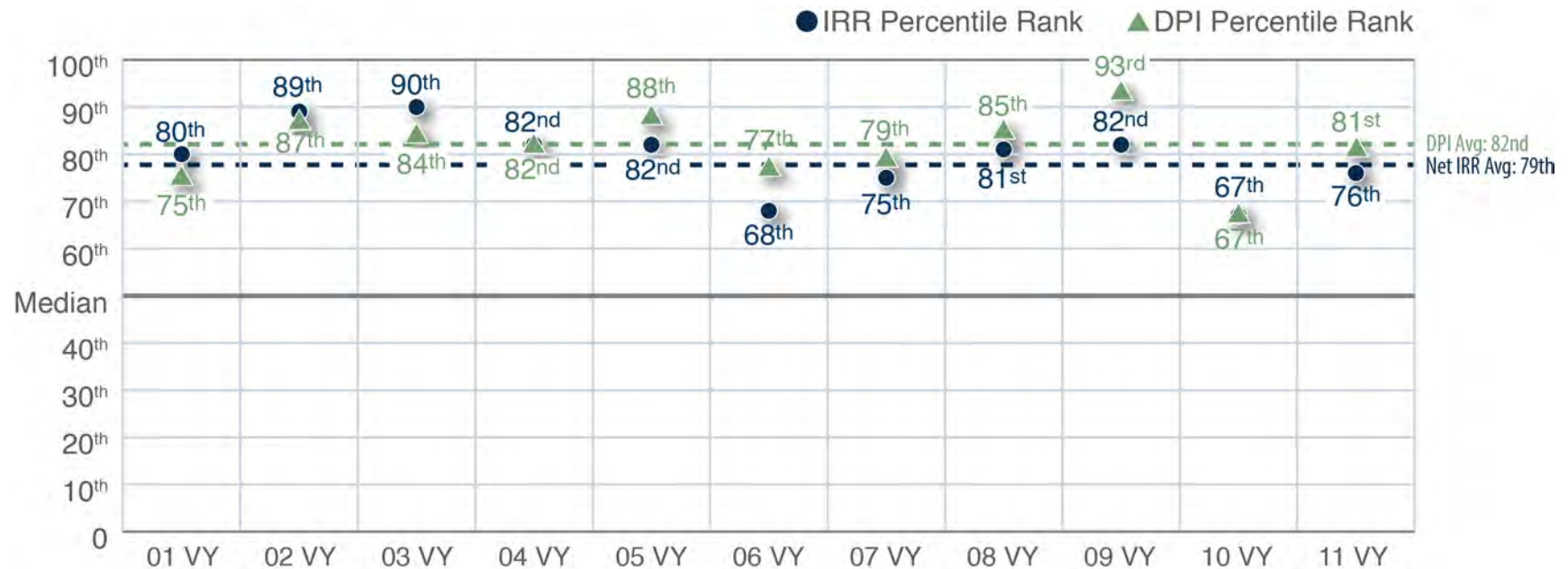




## Vintage Year Performance vs. Thomson Reuters Benchmarks

At March 31, 2014

### Net IRR and Distributions to Paid-In Capital (DPI)



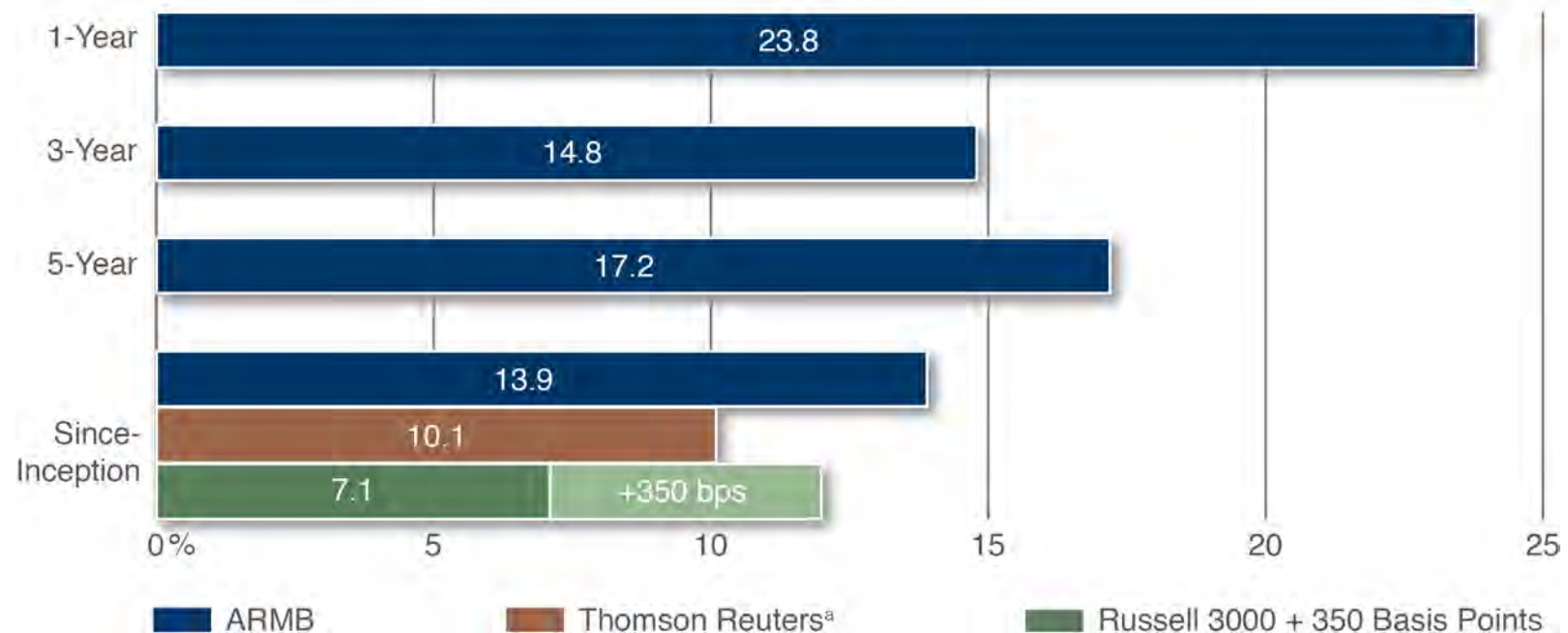
NOTES: Median benchmarks and percentile rankings based on Thomson Reuters December 31, 2013, All Regions All Private Equity returns. Performance is based on the most-recent information provided by the general partners, adjusted for cash flows through March 31, 2014. As of the printing of this presentation, 104 of the portfolio's 110 active partnerships, representing 94% of the portfolio's market value, had provided March 31, 2014, data.

- The ARMB portfolio has performed well relative to the private equity industry, with an average ranking in the upper quartile with respect to both net IRR and DPI.



## Net Performance vs. Public and Private Market Indices

At March 31, 2014

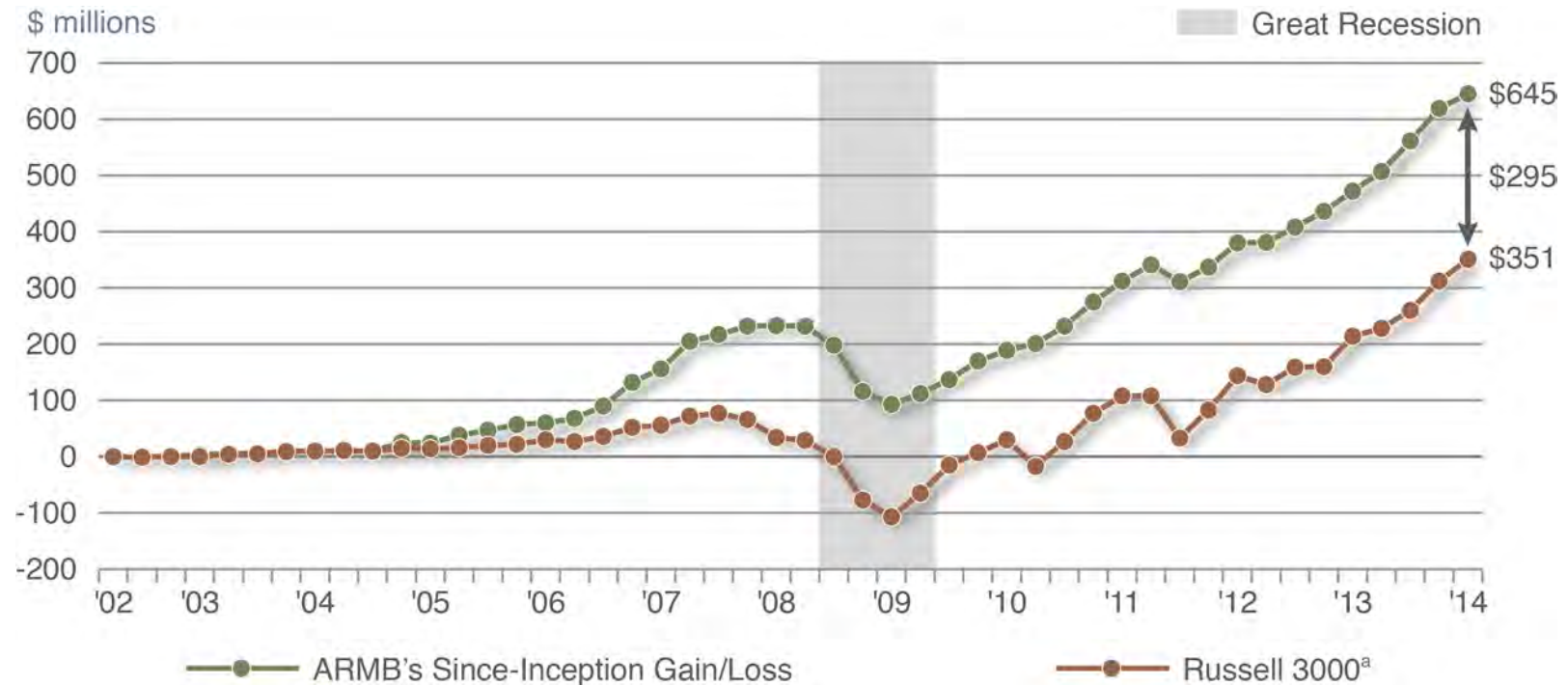


NOTES: Performance is based on the most-recent information provided by the general partners, adjusted for cash flows through March 31, 2014. As of the printing of this presentation, 104 of the portfolio's 110 active partnerships, representing 94% of the portfolio's market value, had provided March 31, 2014, data. The performance of the Russell 3000 and the Russell 3000 + 350 basis points was derived by applying ARMB's cash inflows and outflows to the index's daily returns. Performance is preliminary and subject to change.

<sup>a</sup>Thomson Reuters December 31, 2013, pooled All Regions All Private Equity returns for 2001- through 2013-vintage funds.



## Historical Since-Inception Net Gain



<sup>a</sup>Equals the dollar-weighted Russell 3000.

- The portfolio's outperformance of the Russell 3000 has resulted in nearly \$300 million of incremental gains over the index since the program's inception.



# Appendix



## Biographies



**James R. Chambliss**  
Managing Director

Mr. Chambliss joined Pathway in 1994 and is a managing director in the California office. He is responsible for screening, analyzing, and conducting due diligence on private equity investment opportunities; negotiating and reviewing investment vehicle documents; and client servicing. Mr. Chambliss is a member of Pathway's Investment Committee and currently serves on the advisory boards and valuation committees of several private equity limited partnerships.

Mr. Chambliss received a BS in business administration, with an emphasis in finance, from Loyola Marymount University and an MBA from the University of Southern California.



**Canyon J. Lew**  
Director

Mr. Lew joined Pathway in 2004 and is a director in the California office. Mr. Lew is responsible for investment analysis and due diligence, negotiating and reviewing investment vehicle documents, and client servicing. Additionally, Mr. Lew serves on the advisory boards of several private equity partnerships.

Prior to joining Pathway, Mr. Lew worked for Fleet Fund Investors as an associate, where he monitored investments within Fleet Bank's private equity portfolio and reviewed new investment opportunities. Mr. Lew received an AB in economics and engineering from Brown University and an MS, with high honors, in investment management from Boston University.



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Soichi “Sam” Takata—Head of Private Equity

### Website

[pathwaycapital.com](http://pathwaycapital.com)



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No representation is being made that a prospective investor will or is likely to have access to funds such as the funds referenced herein. The reference to such funds was made with the benefit of hindsight based on historical rates of return of such manager and on specific investments made by such funds. Accordingly, performance results of specified funds inevitably show positive rates of return or investment results.



## **ARMB Board Meeting**

Investment Performance  
Periods Ended 3/31/14  
(with final real estate numbers)  
Updated May 30, 2014

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**Paul Erlendson**  
Senior Vice President

**Dana Brown**  
Senior Vice President



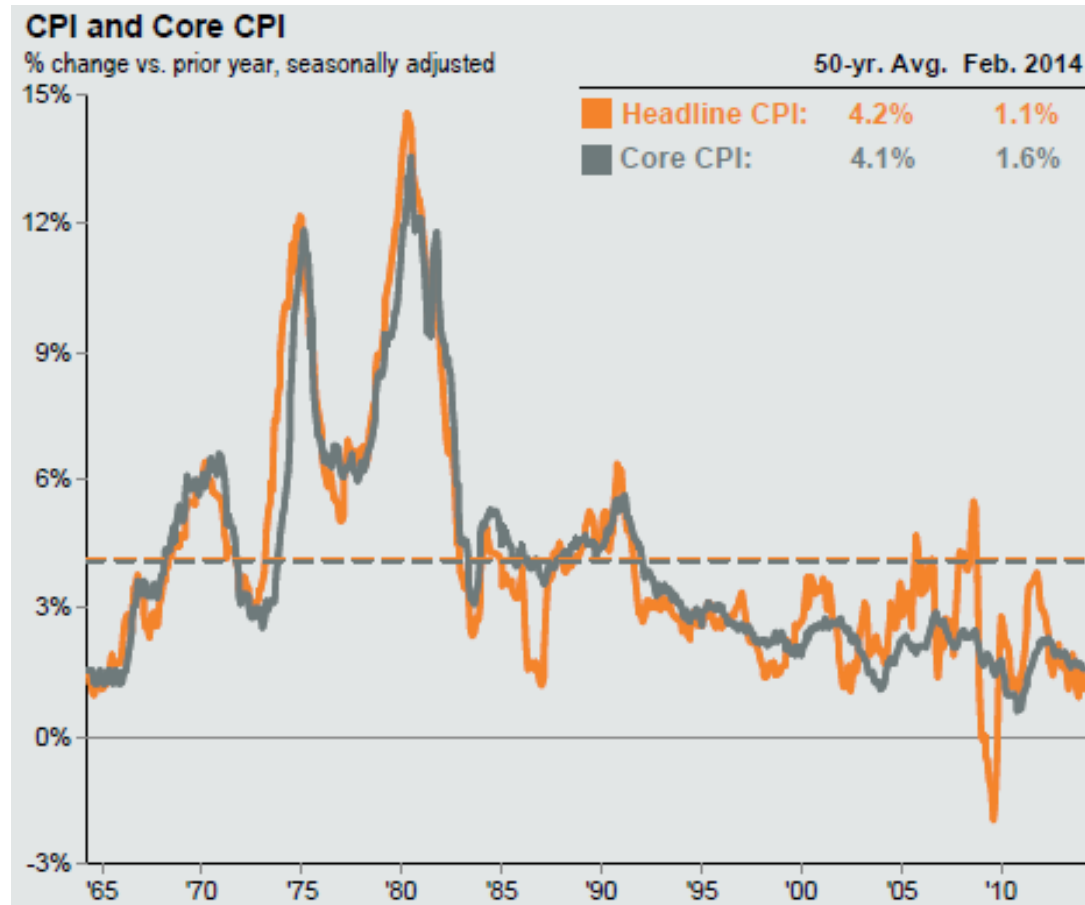
# Agenda

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- Market and Economic Environment
- Total Fund Performance
  - Major Asset Classes
- Review of Major Activities

# U.S. Economy: Inflation

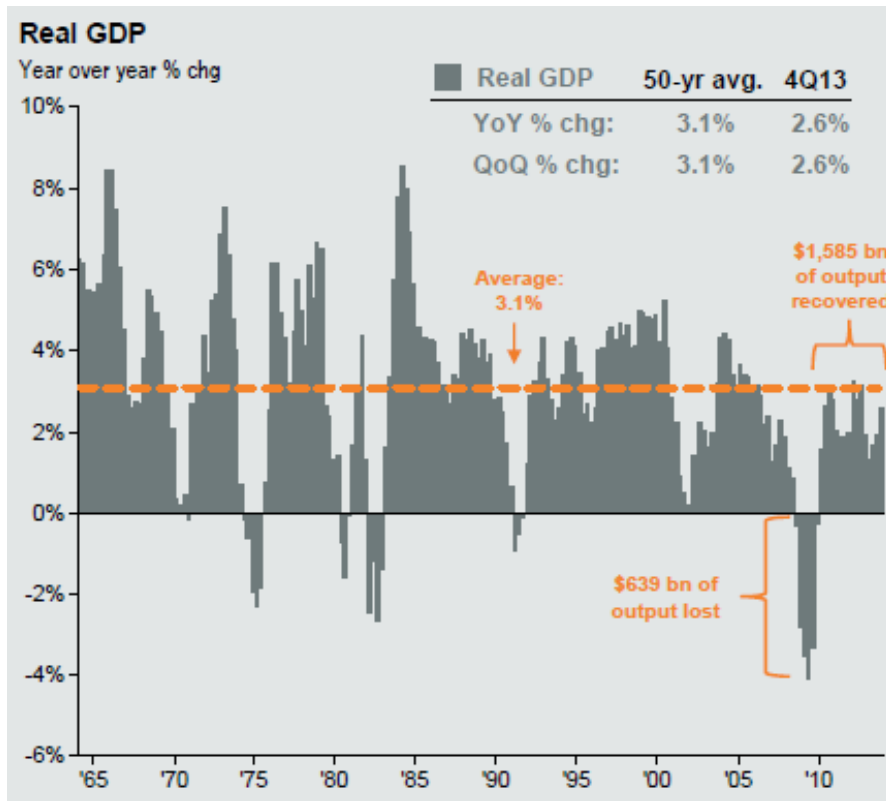
Quarter Ending March 31, 2014



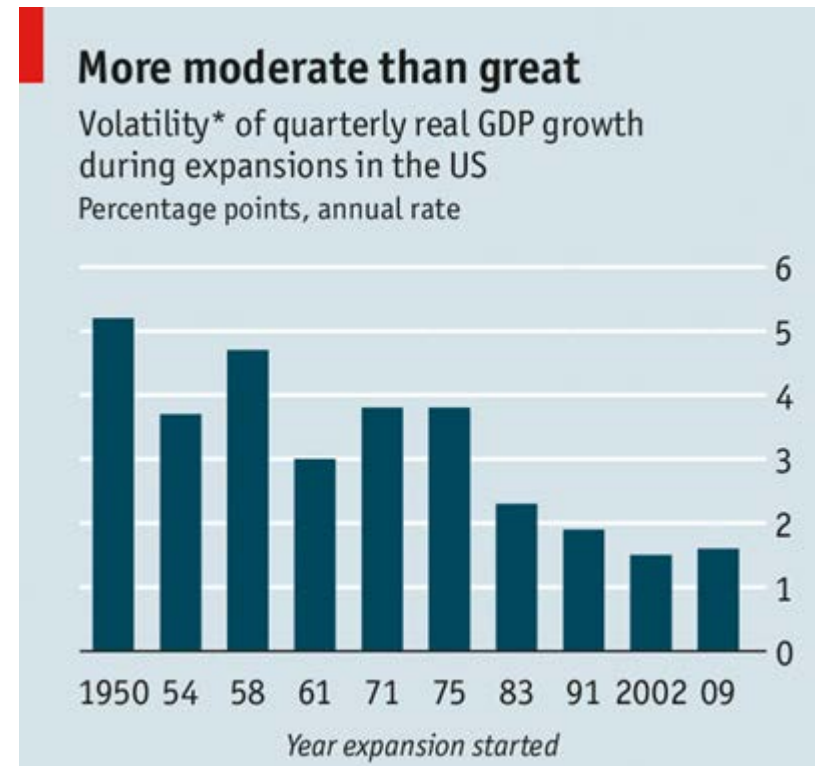
Sources: Bureau of Labor Statistics; FactSet; JPMorgan

- Inflation remains subdued: For the 12-months ending March, headline and core CPI (which excludes food and energy) increased over the trailing year by 1.5% and 1.7%, respectively.
- The current annual rate of Core Inflation rate is well below the long-term average of 4.1%.

# U.S. Economy: Real GDP



Sources: JP Morgan; Bureau of Economic Analysis; FactSet



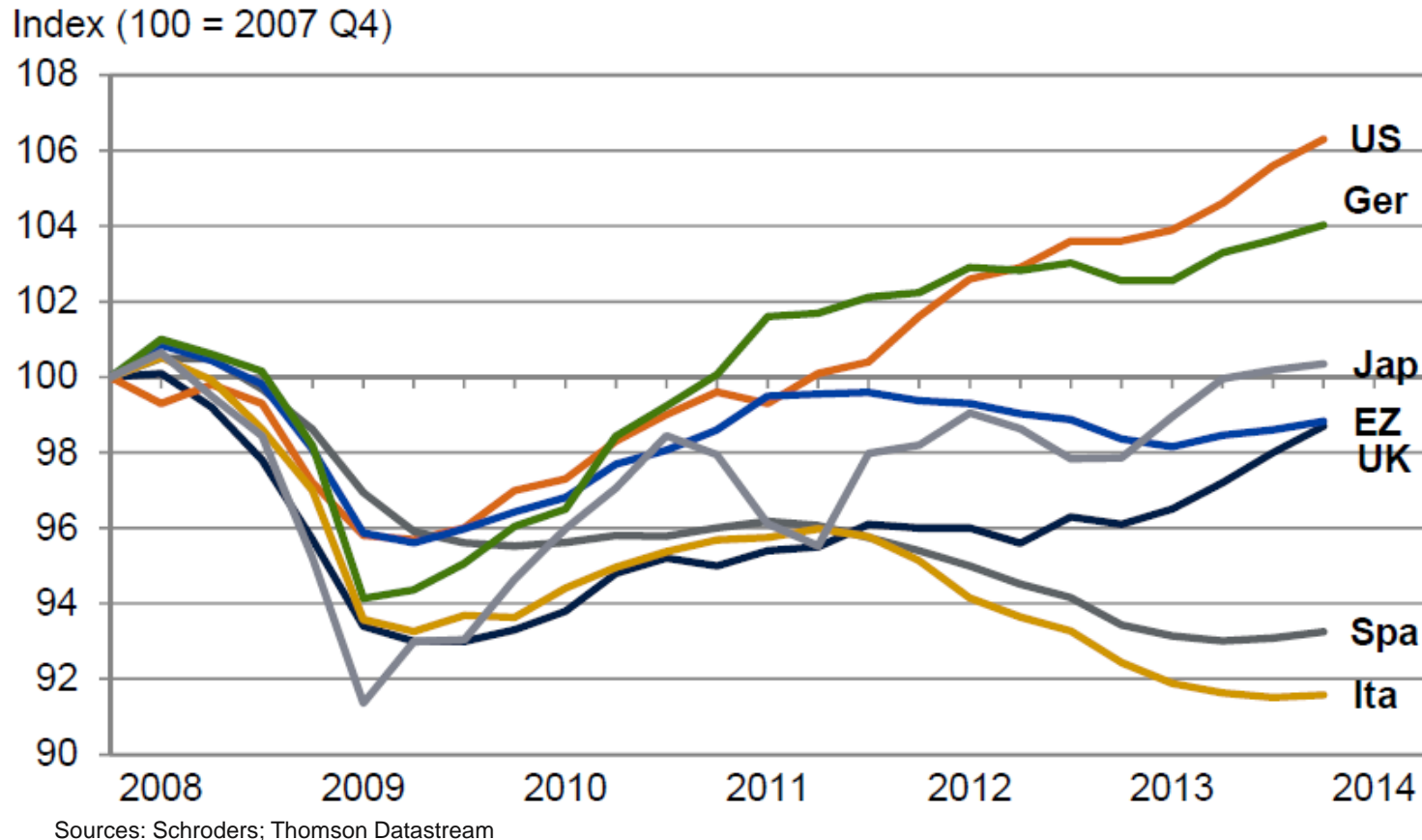
\* Standard Deviation

Sources: The Economist magazine 5/24/14; the White House Council of Economic Advisers.

- The Federal Reserve scaled QE down to \$55B/month in April (from initial \$85B).
- 1st quarter GDP was revised downward on 29 May 2014 to -1.0% from a first estimate of +0.1%.
  - While personal consumption was up, the BEA recorded declines in exports, nonresidential fixed investments (primarily commercial and industrial construction activity), and state and local government spending.
- Euro-zone GDP growth was flat during the first three months of 2014.
- US Real GDP growth is lower than following past recessions but the rate is also much more stable.

# Comparative Global GDP

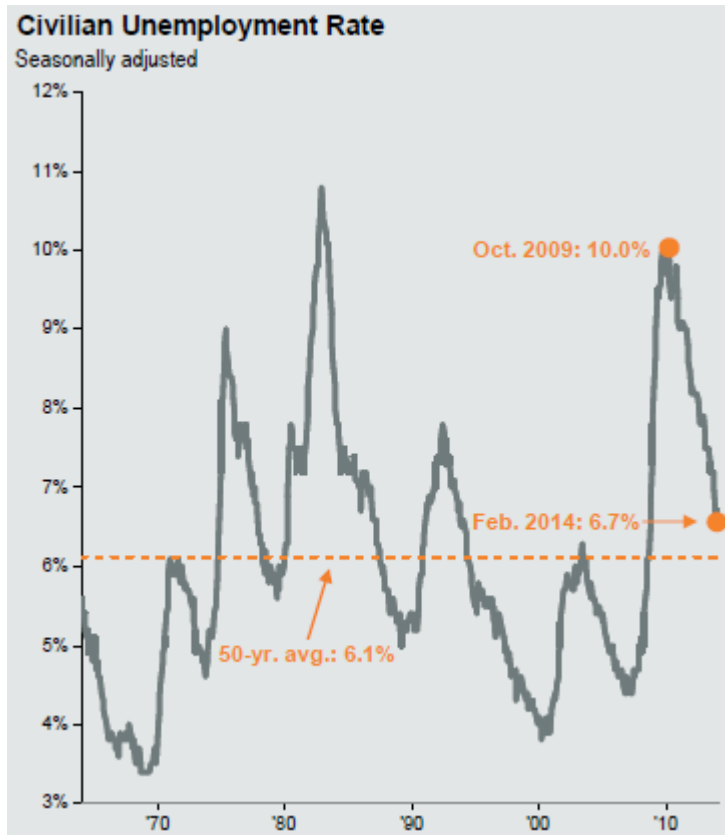
Progress varies by country



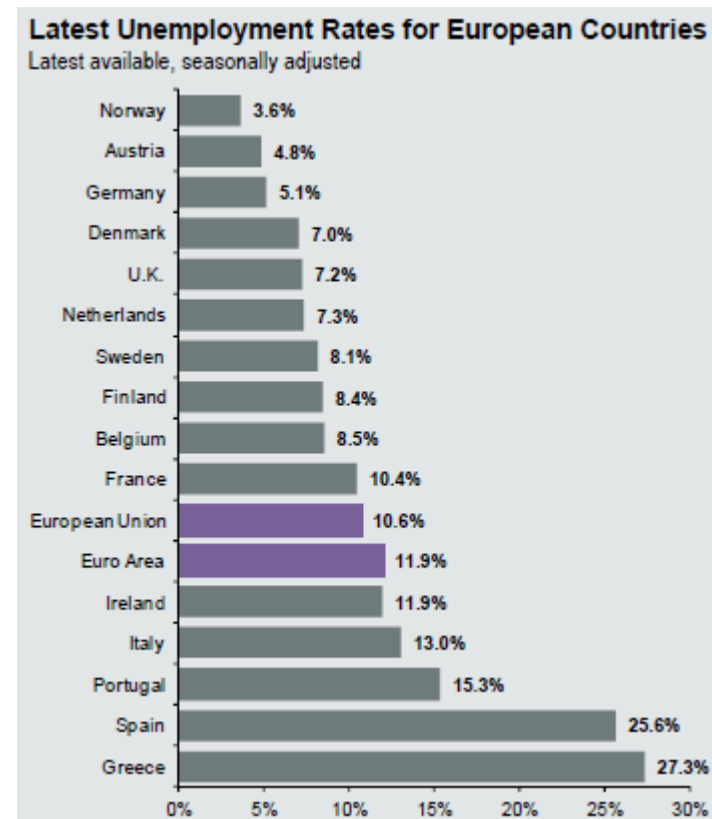
- The US's economic output is now 6% higher than it was at the end of 2007, pre-recession.
- Germany led most developed countries out of the recession but was surpassed by the US in 2012.
- "EZ" (Eurozone) countries have yet to regain the level of economic output they had pre-recession.

# US and European Unemployment

The US continues to recover; Europe employment remains moribund



Sources: JP Morgan; Bureau of Economic Analysis; FactSet

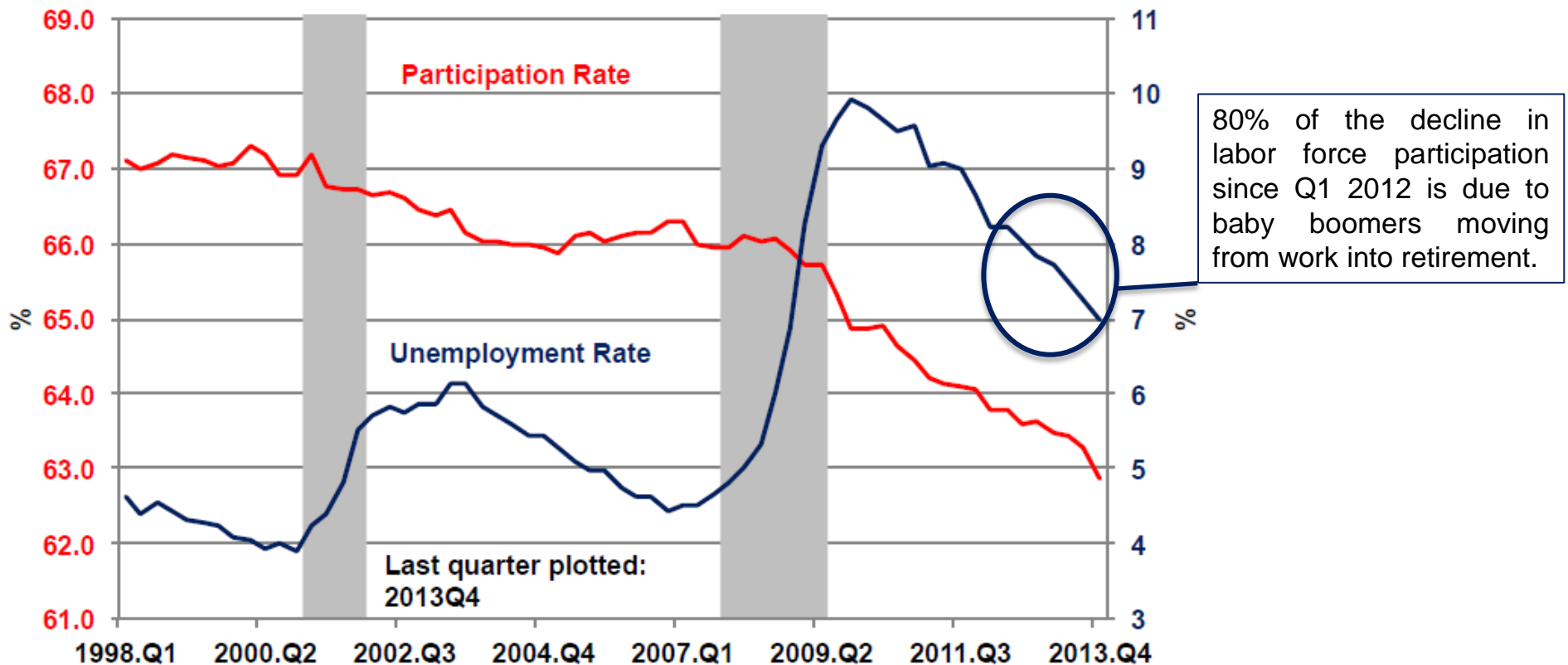


Sources: JP Morgan; Eurostat; OECD

- The US unemployment rate fell from 6.7% at 3/31/14 to 6.3% on the day Mike O'Leary retired (on 30 April 2014). During the current recession and recovery, the rate peaked at 10.2% in 10/09.
- Unemployment across the 15 European Union member countries averages 10.6% as of 3/31/14.

# Fewer Participants in Labor Force

Unemployment rate is down; so too the participation rate



\* Source: "On the Causes of Declines in the Labor Force Participation Rate," Shigeru Fujita, Federal Reserve Bank of Philadelphia, Feb., 2014

- Three reasons have been postulated for declines in the labor force participation rate:
  - 1) Retirement; 2) Disability; 3) Returning to school
- In a 20 May speech, NY Fed President William Dudley said he expects below average US interest rates and growth in real GDP due to slower growth of the workforce as the population ages.

# Asset Class Performance

Periods Ending March 31, 2014

Periodic Table of Investment Returns  
for Periods Ended March 31, 2014

Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 10 Years
Barclays:Aggregate Index 1.8%	Russell 2000 24.9%	S&P 500 14.7%	Russell 2000 24.3%	MSCI Emerging Markets 10.5%
S&P 500 1.8%	S&P 500 21.9%	Russell 2000 13.2%	S&P 500 21.2%	Russell 2000 8.5%
Russell 2000 1.1%	MSCI:EAFE US\$ 17.6%	MSCI:EAFE US\$ 7.2%	MSCI:EAFE US\$ 16.0%	S&P 500 7.4%
MSCI:EAFE US\$ 0.7%	3 Month T-Bill 0.1%	Barclays:Aggregate Index 3.7%	MSCI Emerging Markets 14.8%	MSCI:EAFE US\$ 6.5%
3 Month T-Bill 0.0%	Barclays:Aggregate Index (0.1%)	3 Month T-Bill 0.1%	Barclays:Aggregate Index 4.8%	Barclays:Aggregate Index 4.5%
MSCI Emerging Markets (0.4%)	MSCI Emerging Markets (1.1%)	MSCI Emerging Markets (2.5%)	3 Month T-Bill 0.1%	3 Month T-Bill 1.7%

As of 6/06/14

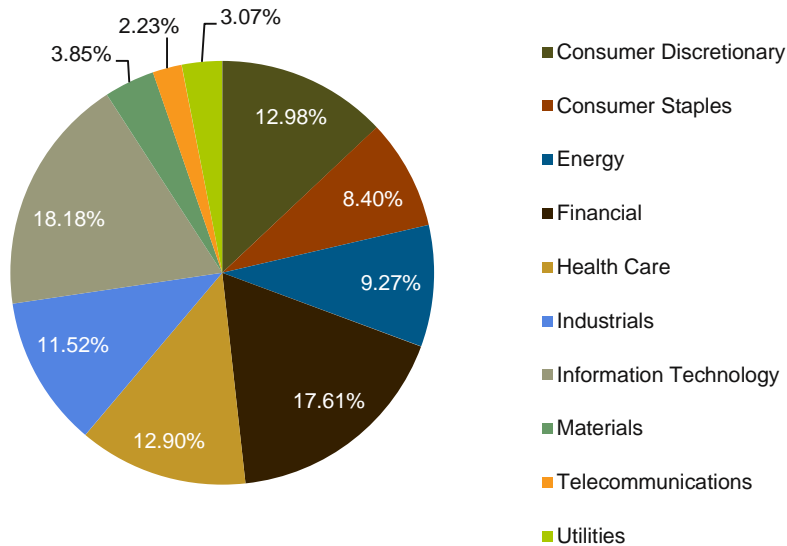
Index	QTD	YTD
S&P 500	4.6%	6.4%
Russell 2K	-0.5%	0.6%
EAFE	4.0%	4.7%
EM	5.7%	5.3%
BC Agg	1.5%	3.3%
BC TIPS	2.3%	4.3%

- Welcome back, emerging markets!

# U.S. Sector Performance

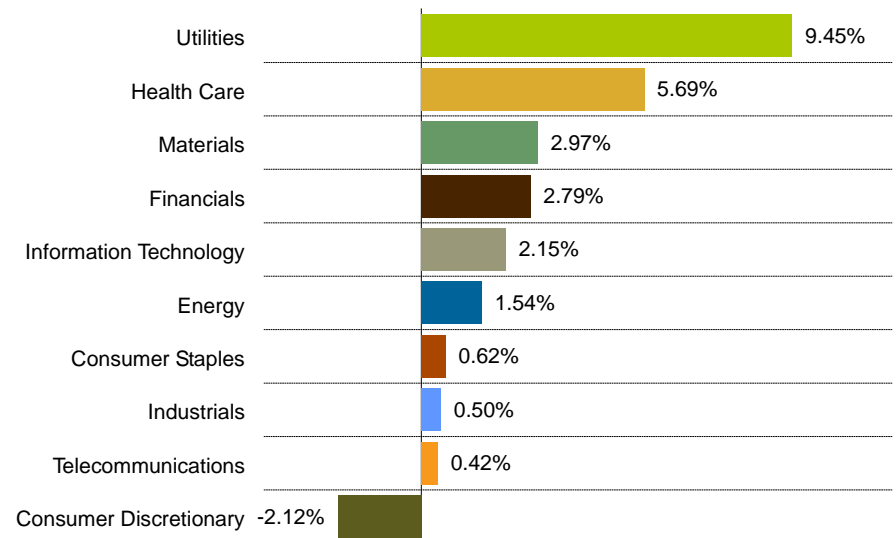
Quarter Ending March 31, 2014

Economic Sector Exposure (Russell 3000)



Pie chart may not sum to 100% due to rounding  
Source: Russell Investment Group

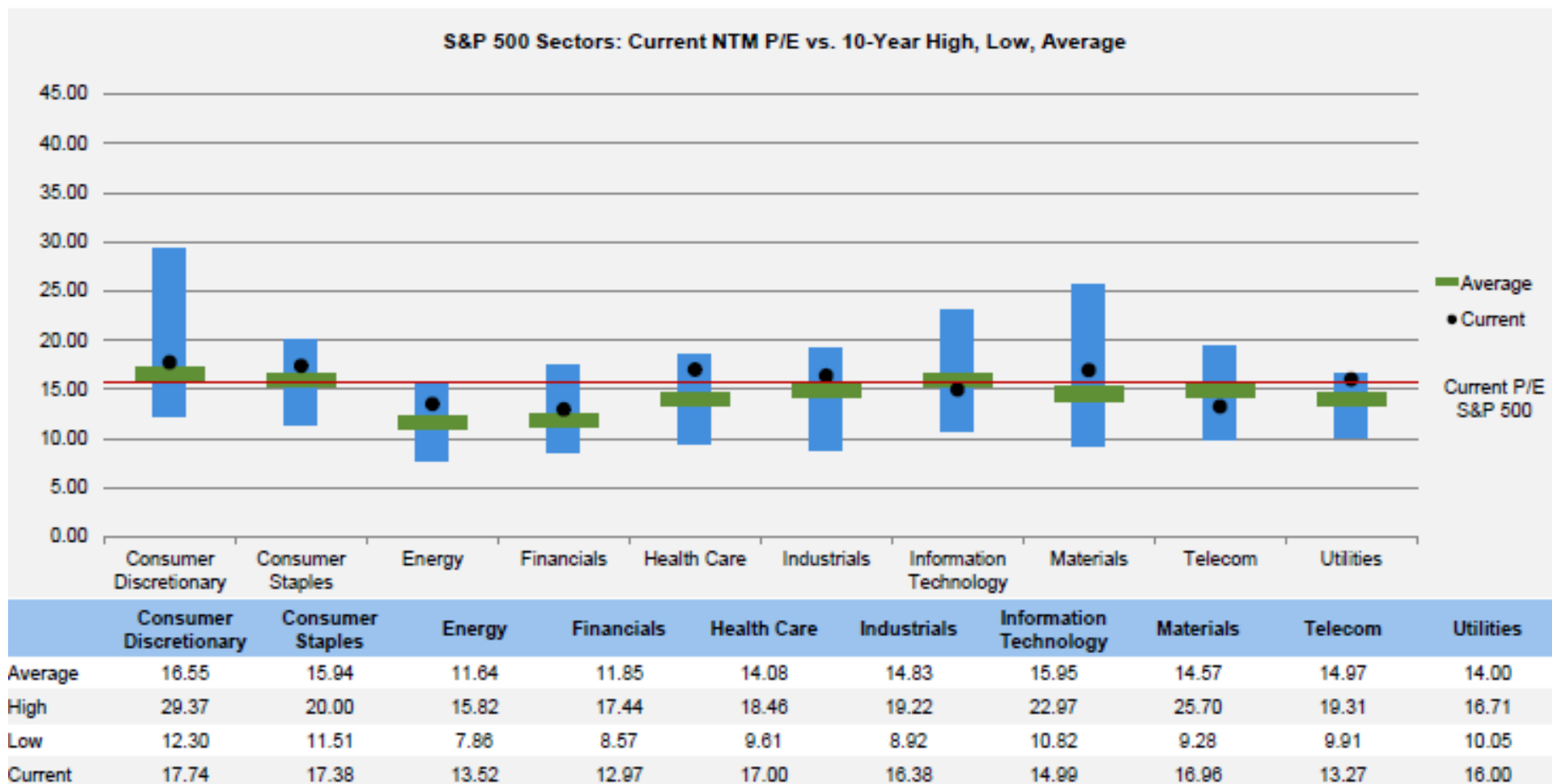
Quarterly Returns (Russell 3000)





# S&P Sector Valuations: rich?

8 or 10 sectors trade above long-term average valuations as of 3/31/14

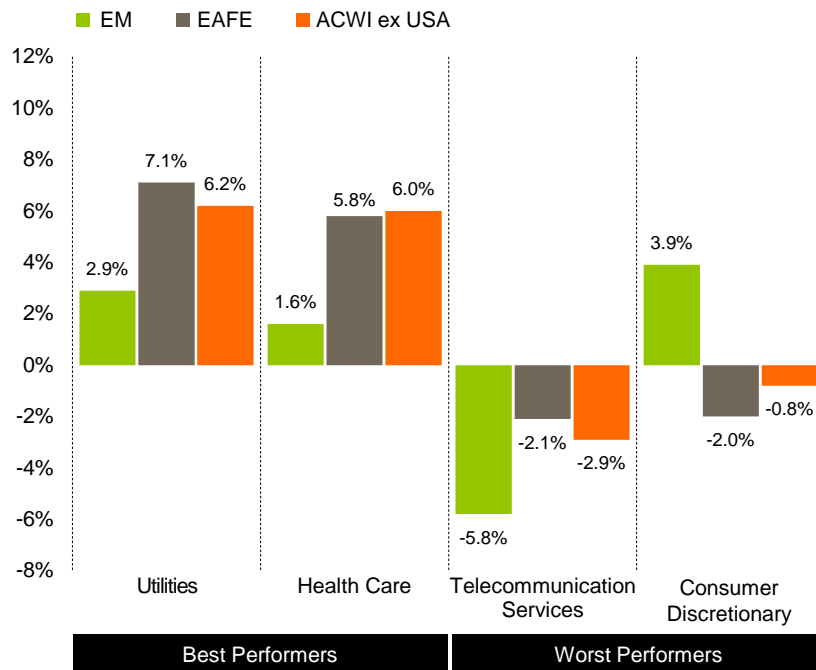


Sources: Eaton Vance; FactSet

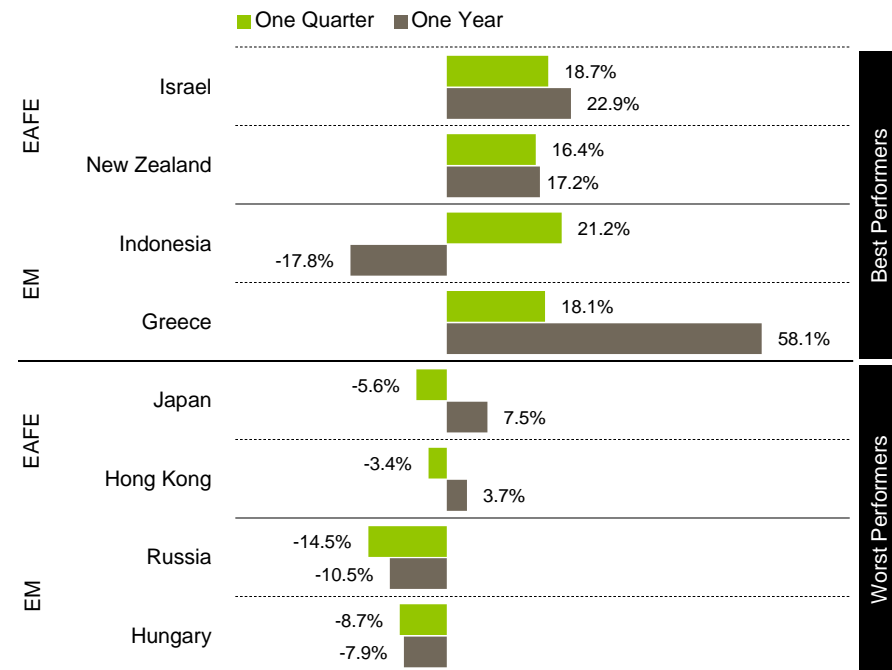
# Non-U.S. Equity

## Sector and regional performance around the world as of 3/31/14

Quarterly Returns: Strong and Struggling Sectors



Country Performance Snapshot



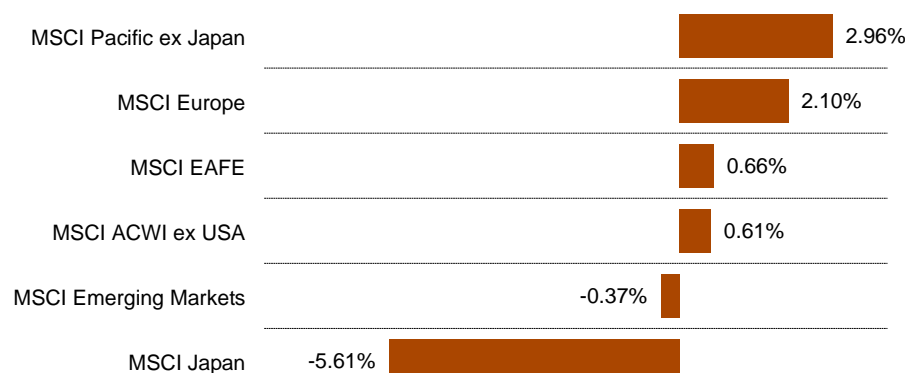
Source: MSCI

- Telecomm Services was a challenged sector across all geographic regions of the globe.
- After teetering on the brink, Greece's equity market is rebounding. Between 12/31/07 (peak) and 5/31/12 (trough), the MSCI Greece index declined 93.5%.

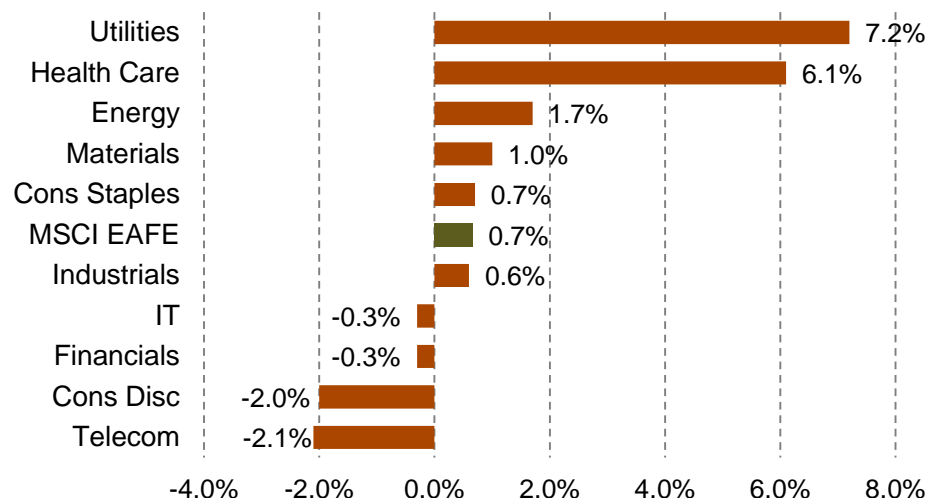
# Non-US Equity Returns

Quarter Ending March 31, 2014

## Regional Quarterly Performance (U.S. Dollar)

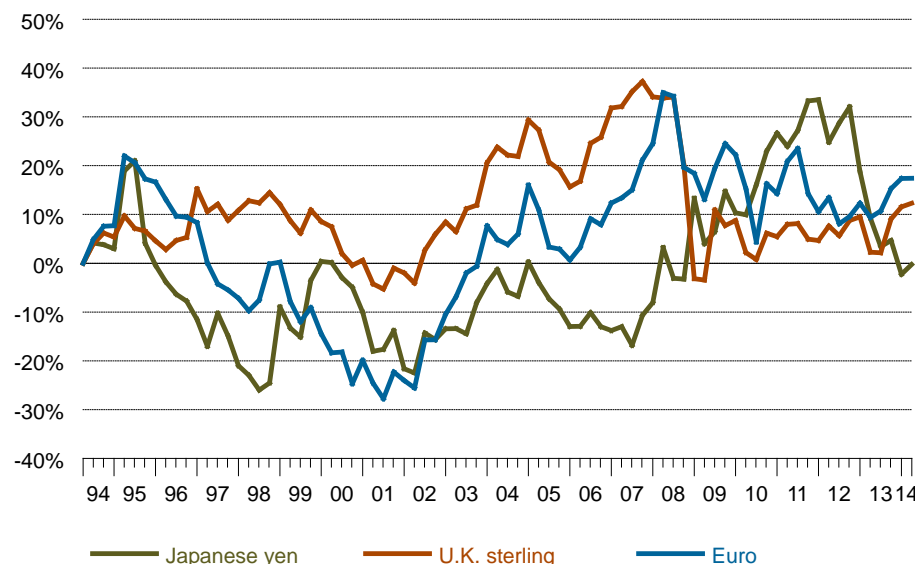


## MSCI EAFE Sector Returns



Source: Barrow Hanley Quarterly Benchmark Review

## Major Currencies' Cumulative Returns (vs. U.S. Dollar)



\*Euro returns from 1Q99. German mark prior to 1Q99.

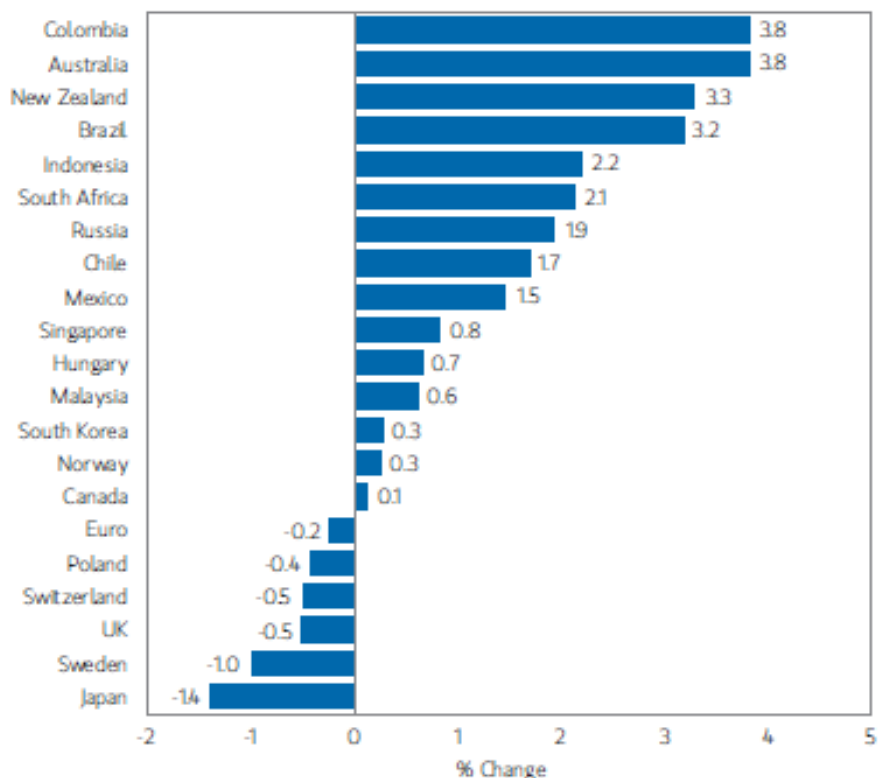
Source: MSCI

- Major non-U.S. equity indices rose in the quarter but trailed the U.S.; Japan lagged (-5.6%).
- Major currencies appreciated in value versus U.S. dollar.
- In the midst of strong overseas equity markets, emerging markets fell 1.1% over the trailing twelve-months.

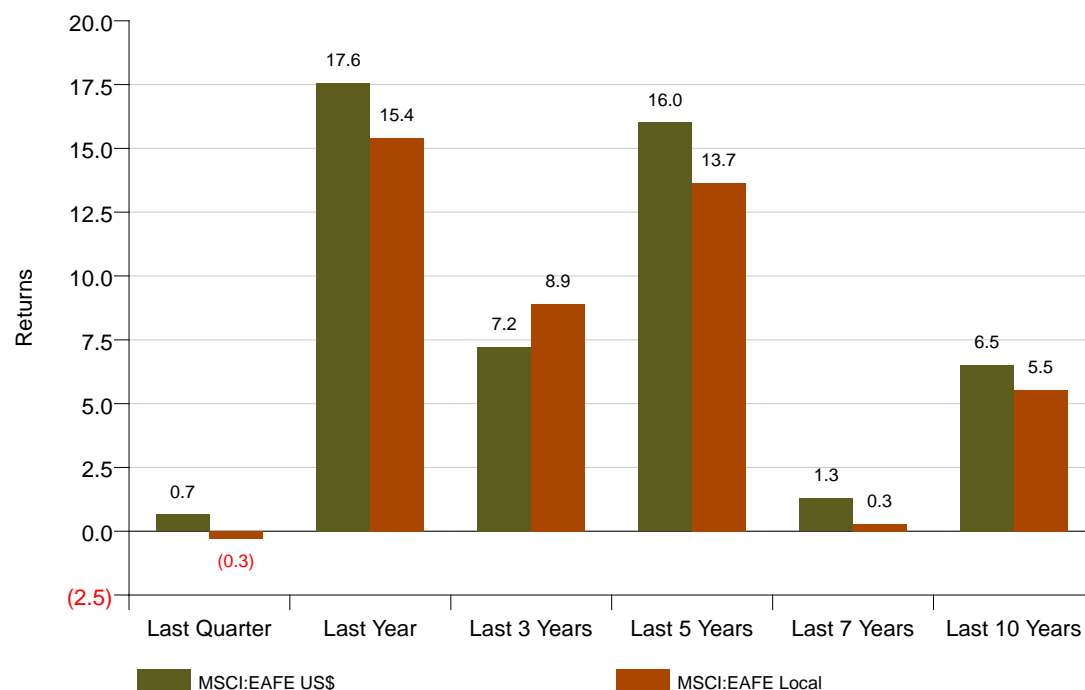
# Domestic vs. Local Currency Returns

## Currency Effect on U.S. Investors' International Equity Returns

Currency Monthly Change vs. USD (+ = appreciation)



Returns for Various Time Periods  
Current Quarter Ending March 31, 2014



Sources: Morgan Stanley, Bloomberg.

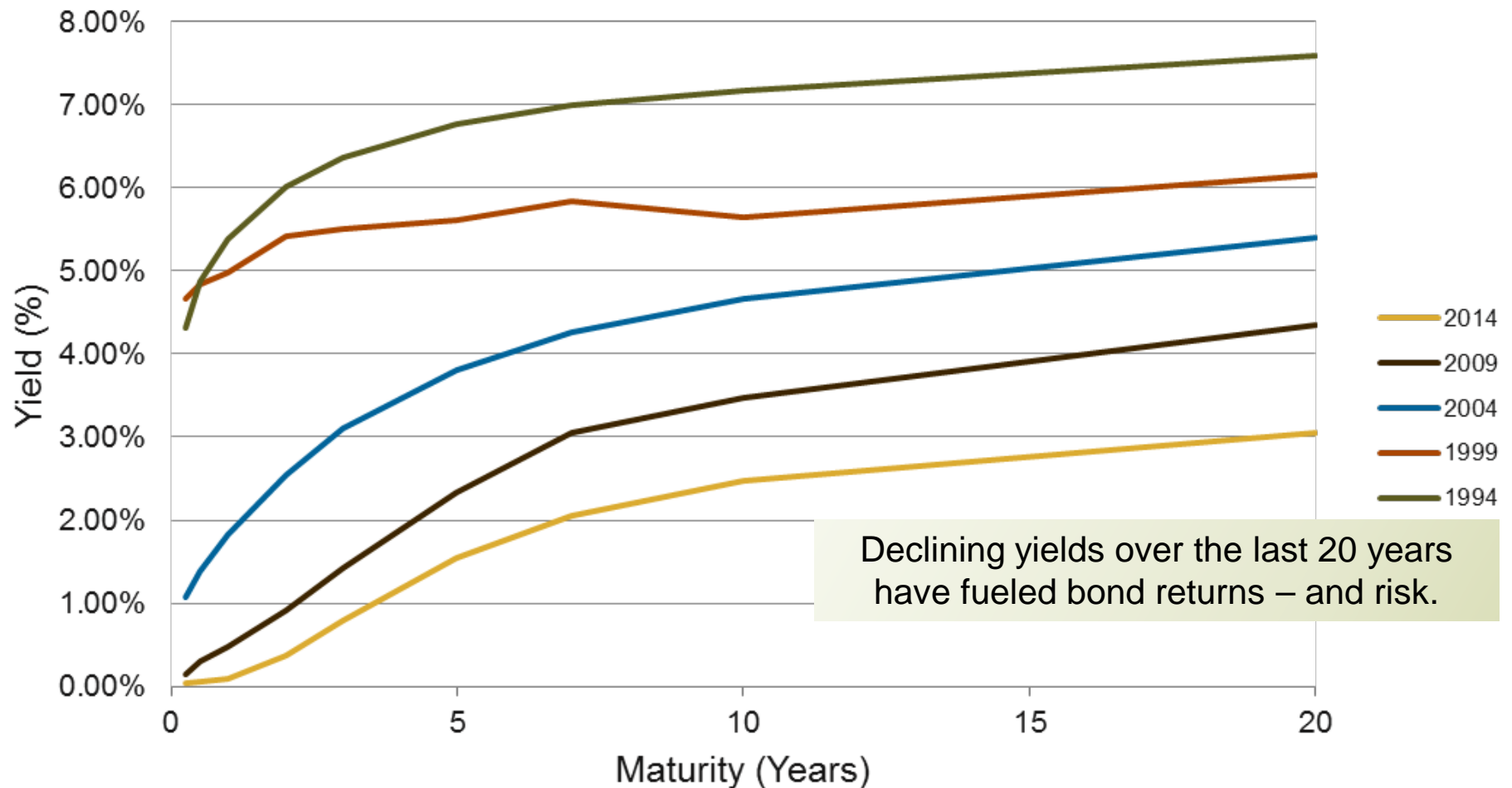
Note: Positive change means the currency has appreciated against the dollar.

- For the quarter, U.S. investors' international equity returns were helped by the dollar's fall against most foreign currencies. The dollar strengthened vs the Yen, Swedish Krona, and Pound Sterling.
- For the last ten years, the U.S. dollar has depreciated against most foreign currencies.

# Historical Yield Curves

As of May 30, 2014

## Treasury Yield Curve

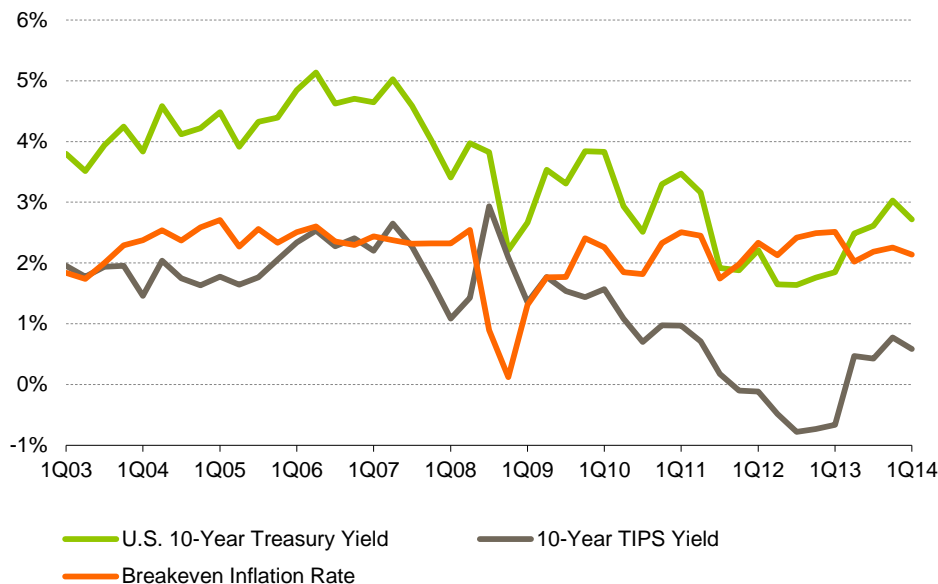


Source: U.S. Treasury Department  
Excludes 1-Month and 30-Year Treasuries as yields were not available for all time periods.

# Yield Curve Changes

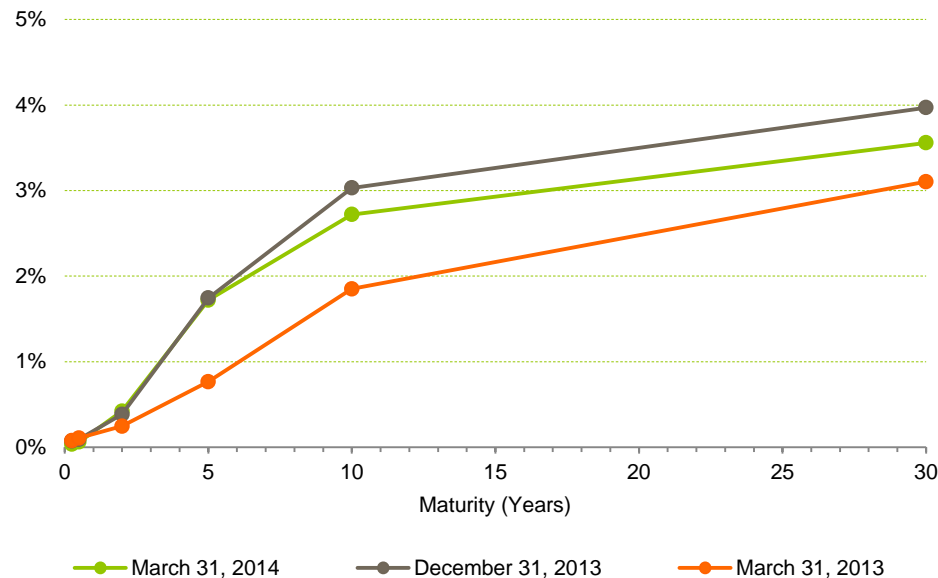
Periods Ending March 31, 2014

Historical 10-Year Yields



Source: Bloomberg

U.S. Treasury Yield Curves

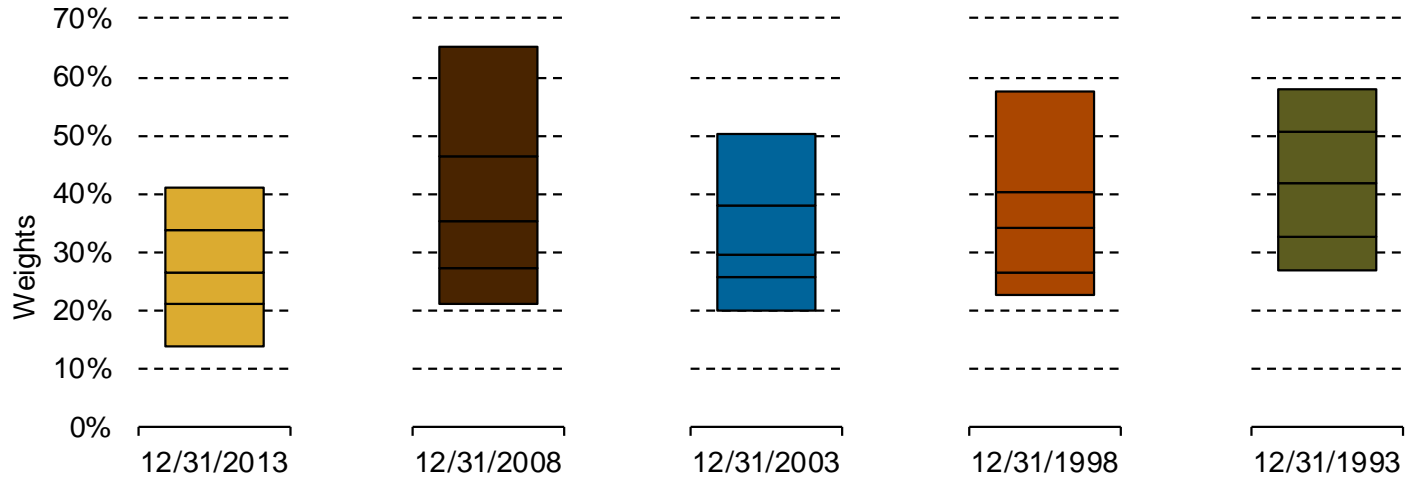


Source: Bloomberg

- The long-end of the yield curve fell which increases the Total Return of longer maturity Treasurys.
- Ten-year Treasury yields declined 31 basis points from last quarter ending at 2.73%.
- The breakeven inflation rate fell from last quarter ending at 2.1%
  - The “breakeven” rate is the market’s implied expectation for future inflation
- Rates fell post quarter end with the 10-year at 2.6% on May 1.

# Historical Domestic Fixed Income Weights

Total Public Fund Database



10 <sup>th</sup> Percentile	41.18%	65.36%	50.17%	57.42%	57.87%
25 <sup>th</sup> Percentile	33.86%	46.56%	37.95%	40.19%	50.56%
Median	26.48%	35.16%	29.42%	34.22%	41.82%
75 <sup>th</sup> Percentile	21.27%	27.12%	25.85%	26.52%	32.58%
90 <sup>th</sup> Percentile	14.04%	21.10%	19.87%	22.53%	26.90%

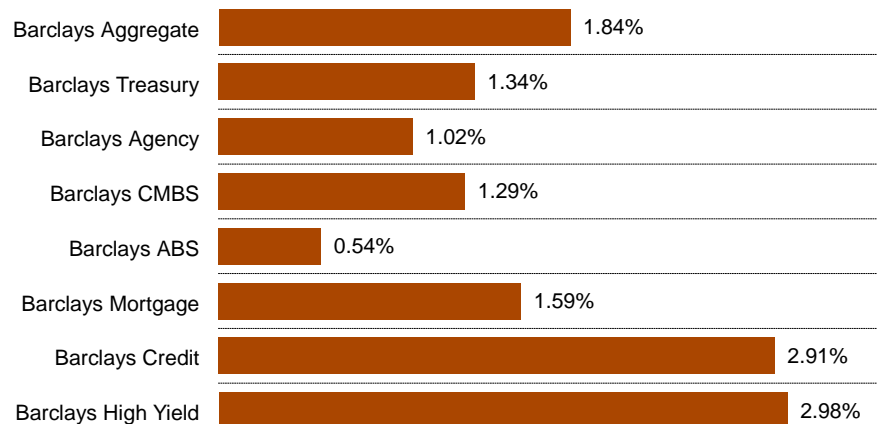
Database					
Member Count	283	272	239	211	155

- Public Pension Funds have been reallocating assets away from US fixed income for 20 years.
- The apparent rise in fixed income at year-end 2008 was caused by equity market losses.

# Total Rates of Return by Bond Sector

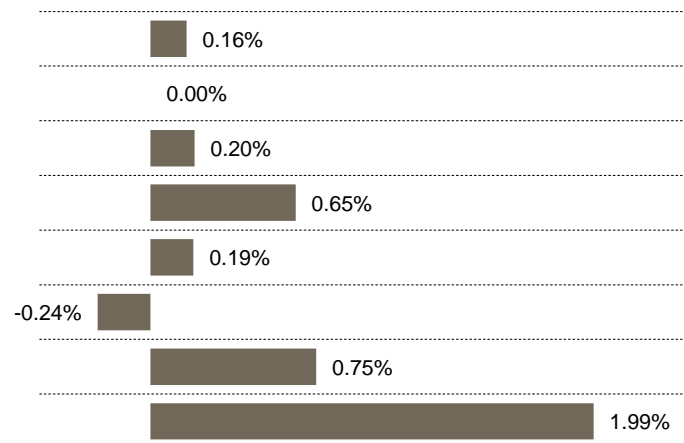
Quarter Ending March 31, 2014

## Absolute Returns

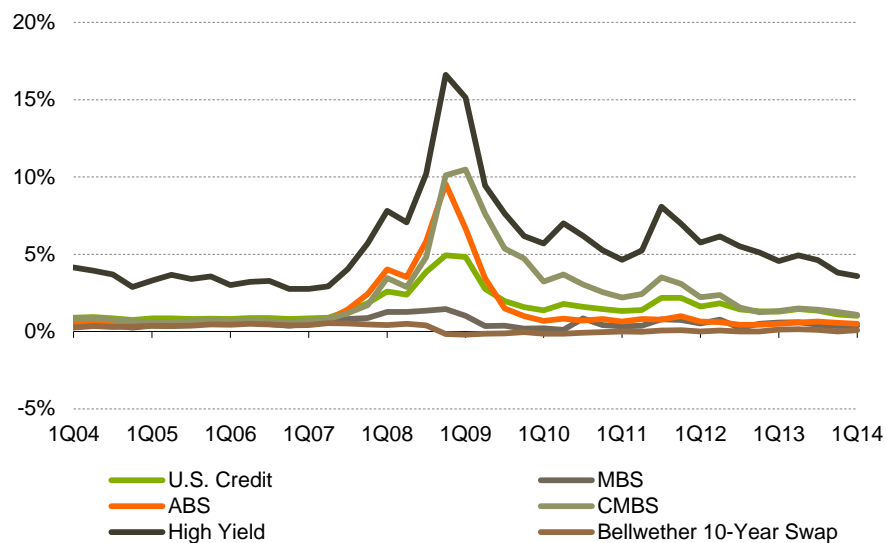


Source: Barclays

## Excess Return versus Like-Duration Treasuries



## Effective Yield Over Treasuries

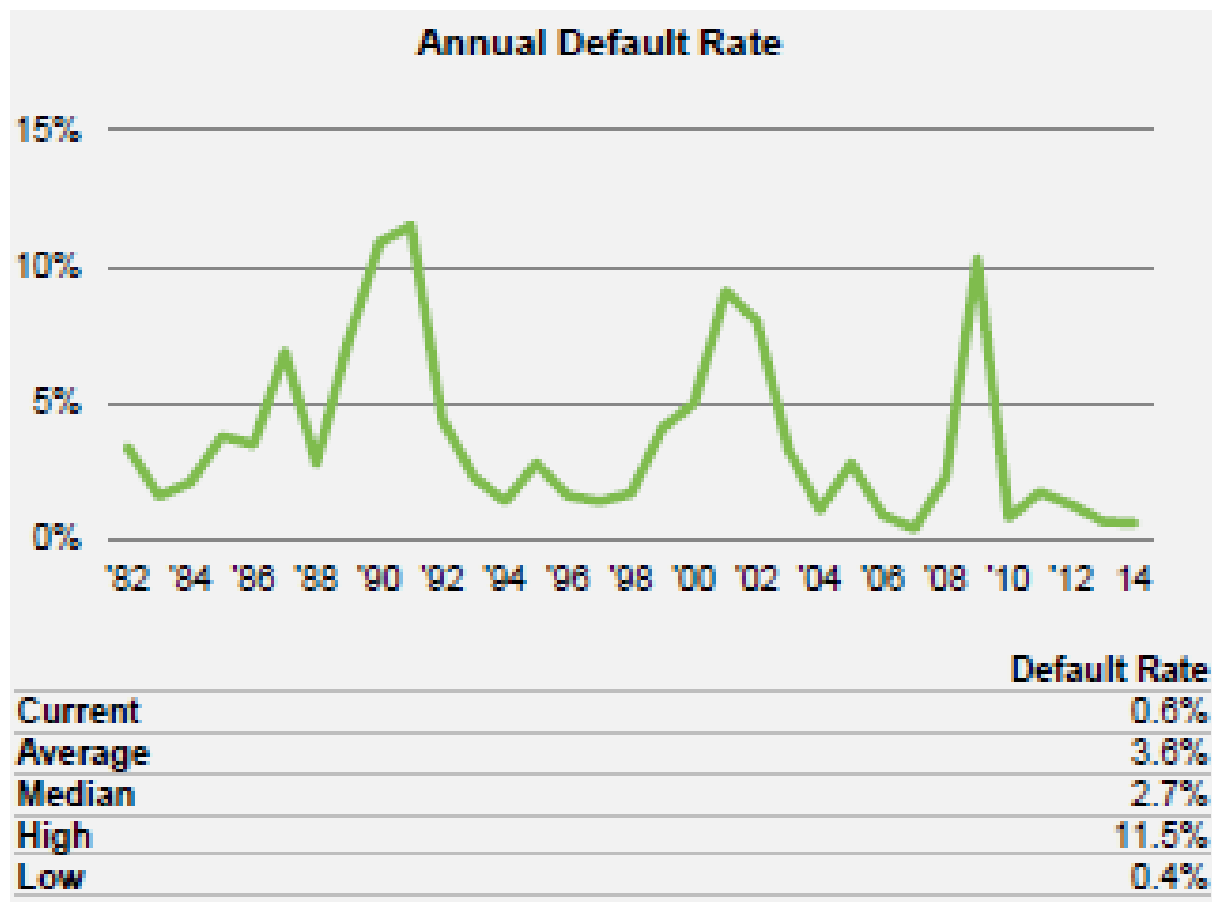


Source: Barclays



# Hardly any defaults

Lately



Sources: Eaton Vance, JP Morgan

- Default rates as of March 31, 2014 were near historic lows.
- While some investors argue that low default rates make higher yielding assets an attractive opportunity, others see the past as prologue: defaults will come back into the cycle.

# Real Estate

Style medians and index returns as of 3/31/14

	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
<b>Private Real Estate</b>							
Real Estate Database (net of fees)	2.45	2.45	12.97	12.77	6.62	6.02	7.67
NCREIF Property**	2.74	2.74	11.17	11.69	7.89	8.65	8.87
<b>Public Real Estate</b>							
REIT U.S. Database	9.92	9.92	5.99	10.98	29.07	9.32	12.74
NAREIT Equity	9.98	9.98	4.16	10.65	28.20	8.23	11.43
<b>Global Real Estate</b>							
Global REIT Database	3.85	3.85	3.00	8.89	23.32	9.04	11.74
EPRA/NAREIT Global Developed	4.01	4.01	2.22	8.50	22.97	7.84	10.00

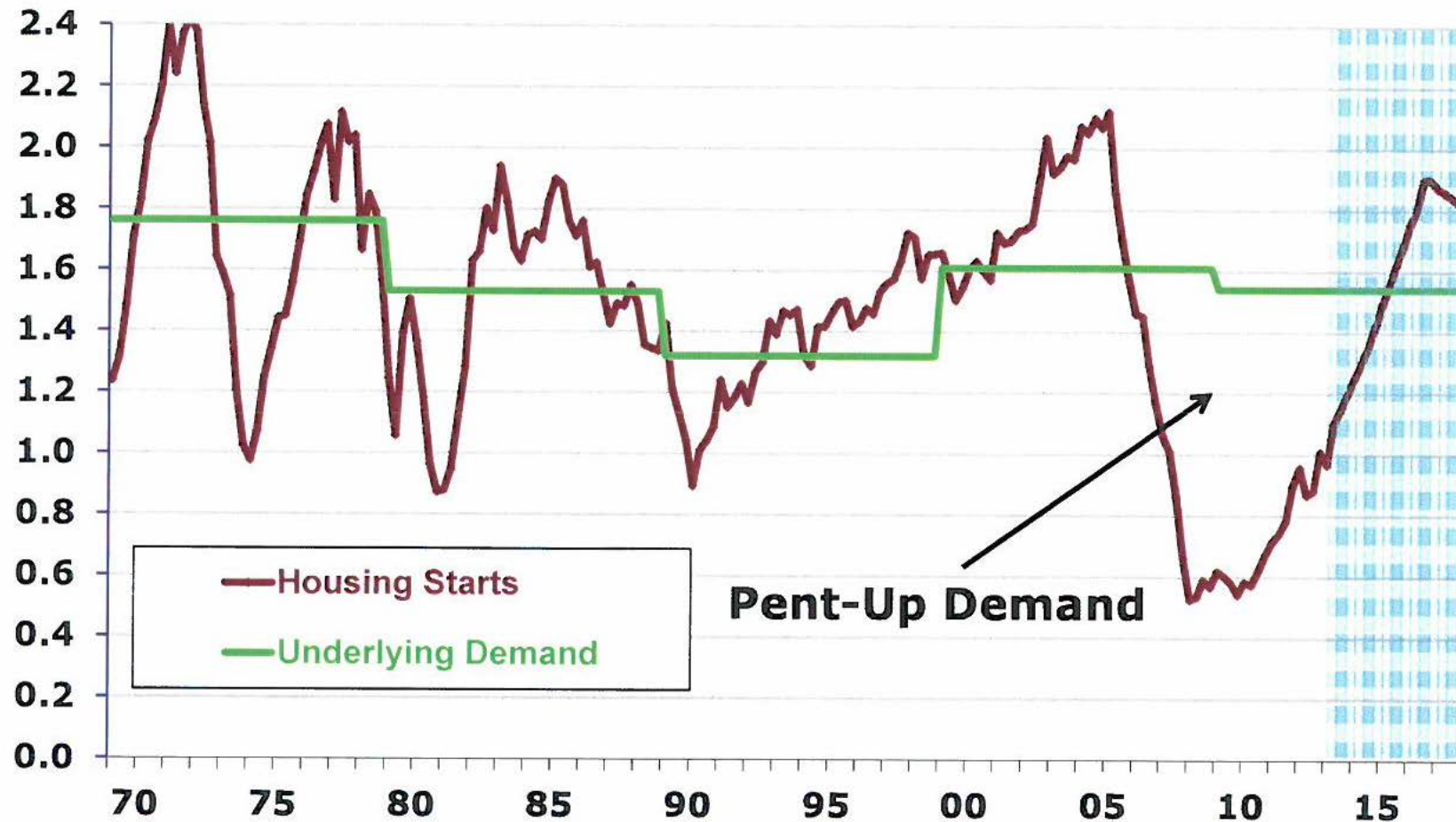
Sources: Callan, Citigroup, JPMorgan Chase & Co.

- The NCREIF Property index's 2.74% return in the first calendar quarter of 2014 was nearly evenly split between income (+1.31%) and capital appreciation (+1.43%).
- A preliminary query of NCREIF tracked 131 institutional asset trades and \$3.9 billion in volume.
  - First quarter trades since 2001 have averaged about \$3.3 billion.
- Domestic REITs raised about \$11.2 billion during the first three months of 2014, which was down from the average quarterly pace of \$19.2 billion during calendar year 2013.

# Housing: Recovery in the making?

Housing starts remain estimated demand

Millions



Sources: Forest Investment Associates, Forest Economic Advisors, LLC

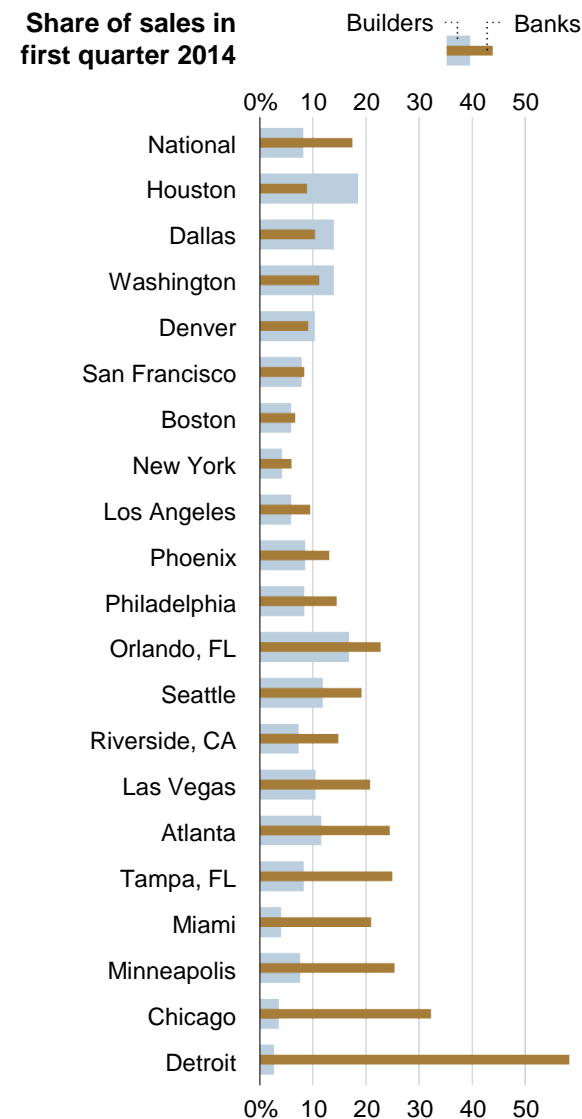
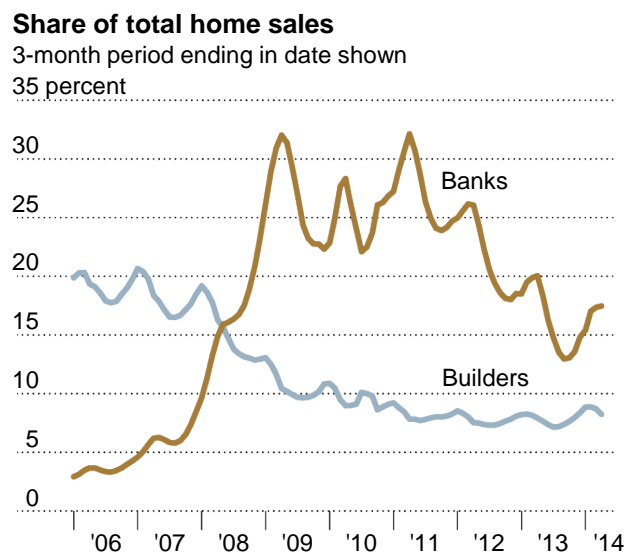
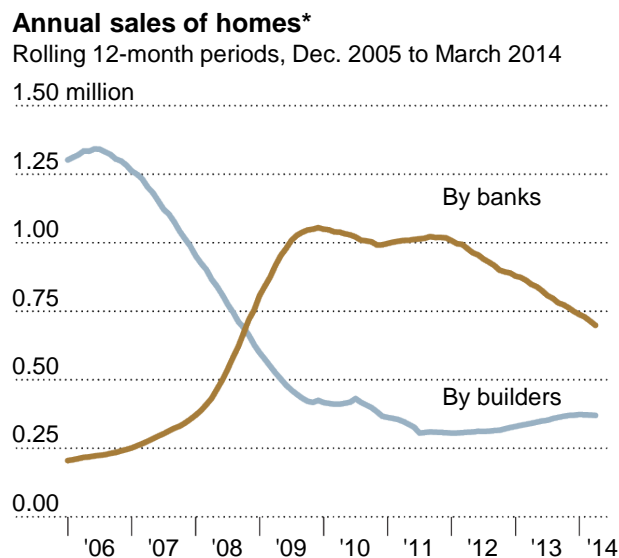
# Housing: Builders are doing better

Balance is shifting between banks and builders as sellers

- Housing contributes to GDP through private residential investment and consumption spending.
- Historically, residential investment has averaged roughly 5% of GDP while housing services have averaged 12% - 13%.
- These shares tend to vary over the business cycle.

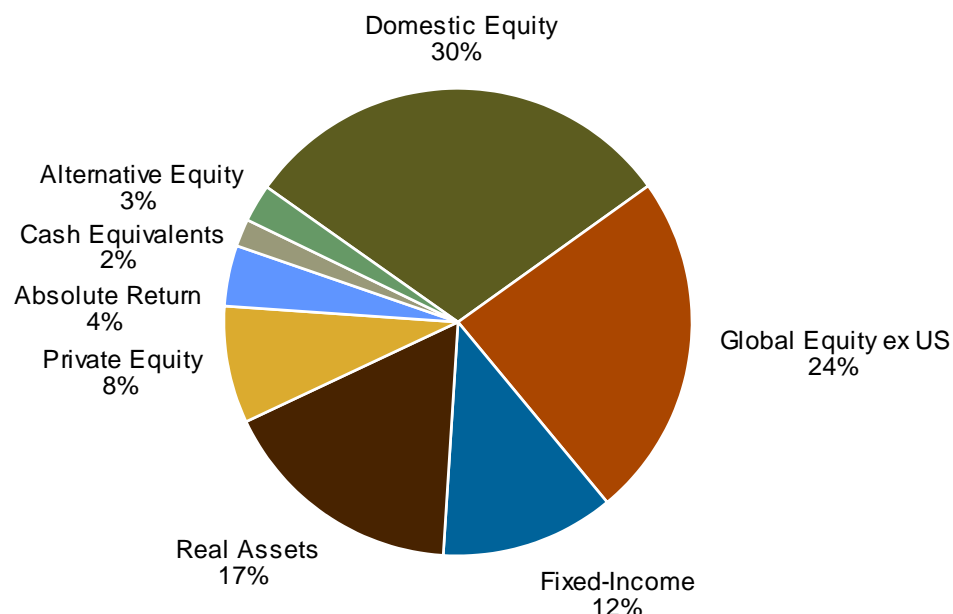
Sources: National Association of Home Builders, the New York Times (5/30/14): <http://www.nytimes.com/2014/05/31/business/housing-on-the-mend-ever-so-gradually.html>; and Hanley Wood.

\*Figures based on county records for about 95 percent of the United States and, therefore, do not include all home sales. Homes sold by one homeowner to another are not shown. Homes transferred to banks through foreclosure are excluded from totals. Metropolitan areas include extended suburbs of central cities.

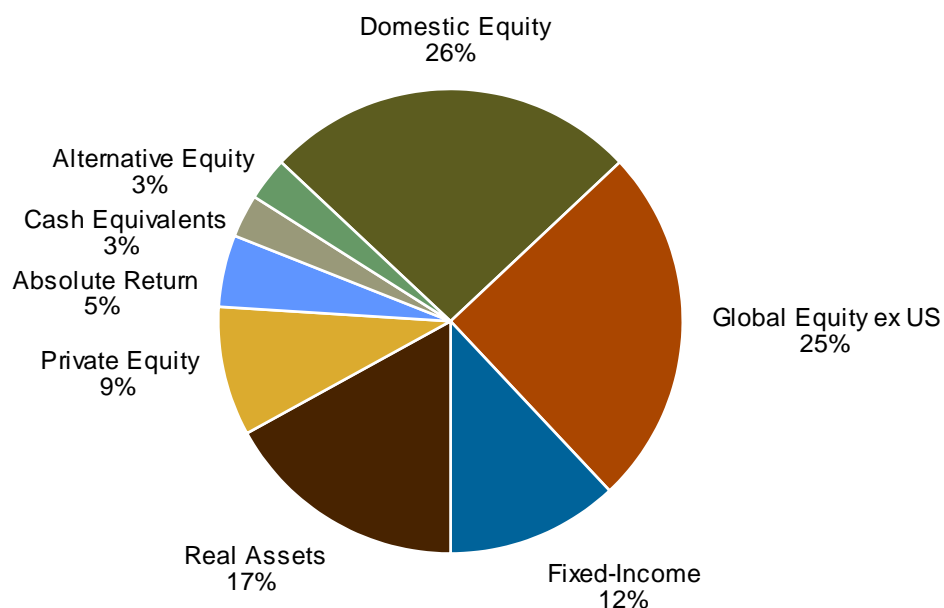


# Asset Allocation – Employees' Retirement Plan 3/31/14

**Actual Asset Allocation**



**Target Asset Allocation**



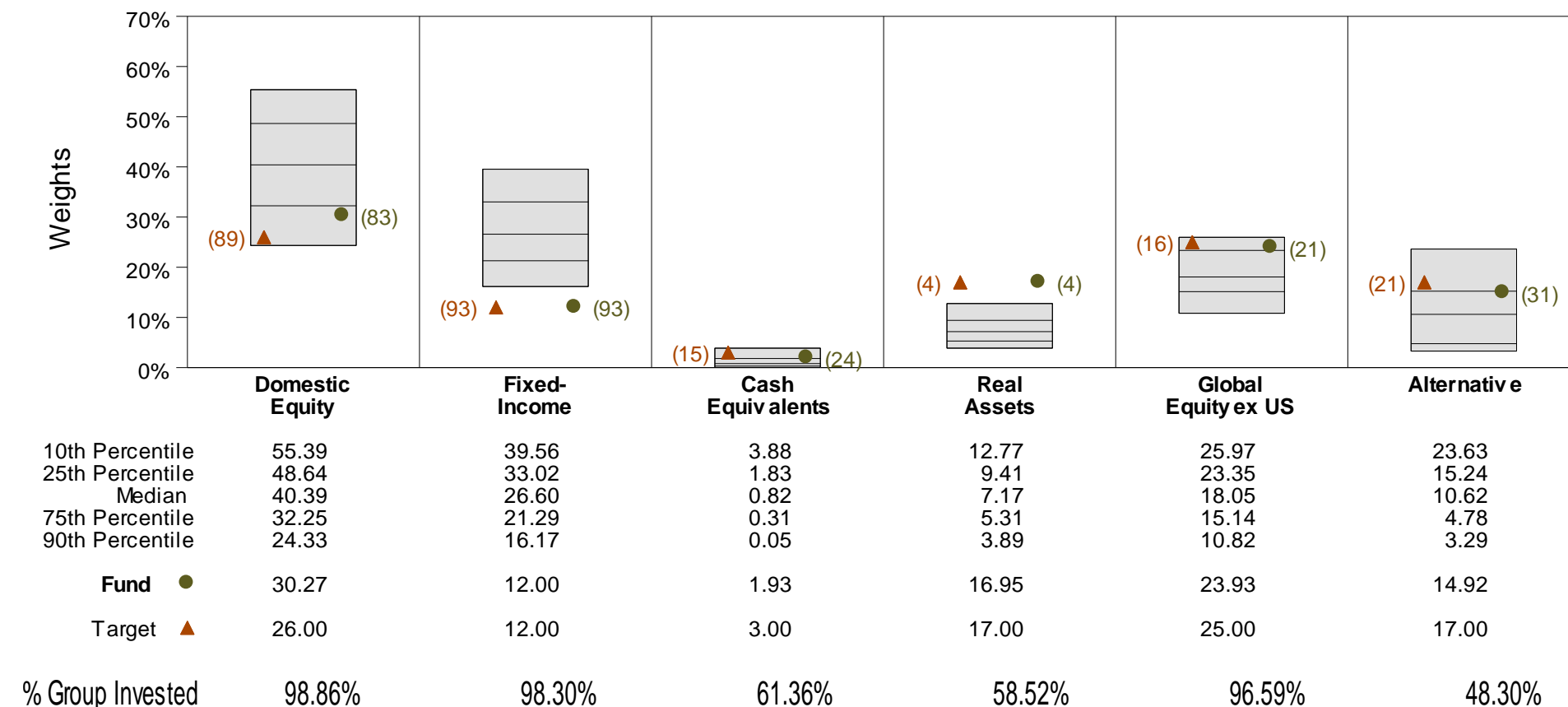
Asset Class	\$000s Actual	Weight Actual	Target	Percent Difference	\$000s Difference
Domestic Equity	2,282,805	30.3%	26.0%	4.3%	322,199
Global Equity ex US	1,804,228	23.9%	25.0%	(1.1%)	(80,970)
Fixed-Income	904,884	12.0%	12.0%	0.0%	(11)
Real Assets	1,278,198	17.0%	17.0%	0.0%	(3,737)
Private Equity	612,936	8.1%	9.0%	(0.9%)	(65,735)
Absolute Return	313,110	4.2%	5.0%	(0.8%)	(63,930)
Cash Equivalents	145,816	1.9%	3.0%	(1.1%)	(80,408)
Alternative Equity	198,816	2.6%	3.0%	(0.4%)	(27,408)
Total	7,540,793	100.0%	100.0%		

ERP is used as illustrative throughout the presentation. The other plans exhibit similar modest and understandable variations from strategic target allocations.

# Asset Allocation vs. Public Funds (ERP)

Callan Public Fund Database as of 3/31/14

## Asset Class Weights vs Public Fund Sponsor Database



Total domestic equity is above target and global ex-US equity is closer to target than at 12/31/13. Real assets and alternatives are high when compared to other public funds. Policy is “growth” oriented as opposed to “income” oriented.

\*Note that “Alternative” includes private equity and absolute return

# PERS: 1<sup>st</sup> Calendar Quarter 2014 and Fiscal Year-to-Date

## Relative Attribution Effects for Quarter ended March 31, 2014

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	26%	1.94%	1.97%	(0.01%)	0.02%	0.01%
Fixed-Income	12%	12%	1.67%	1.15%	0.06%	0.00%	0.06%
Real Assets	16%	17%	4.18%	2.73%	0.24%	(0.01%)	0.23%
Global Equity ex US	24%	25%	1.34%	0.61%	0.17%	0.01%	0.18%
Private Equity	8%	9%	5.39%	1.20%	0.33%	0.00%	0.33%
Absolute Return	4%	5%	3.59%	1.24%	0.10%	0.00%	0.10%
Alternative Equity	3%	3%	2.13%	2.41%	(0.01%)	(0.00%)	(0.01%)
Cash Equivalents	3%	3%	0.06%	0.01%	0.00%	0.00%	0.00%
<b>Total</b>			<b>2.43%</b>	<b>= 1.51%</b>	<b>+ 0.88%</b>	<b>+ 0.03%</b>	<b>0.92%</b>

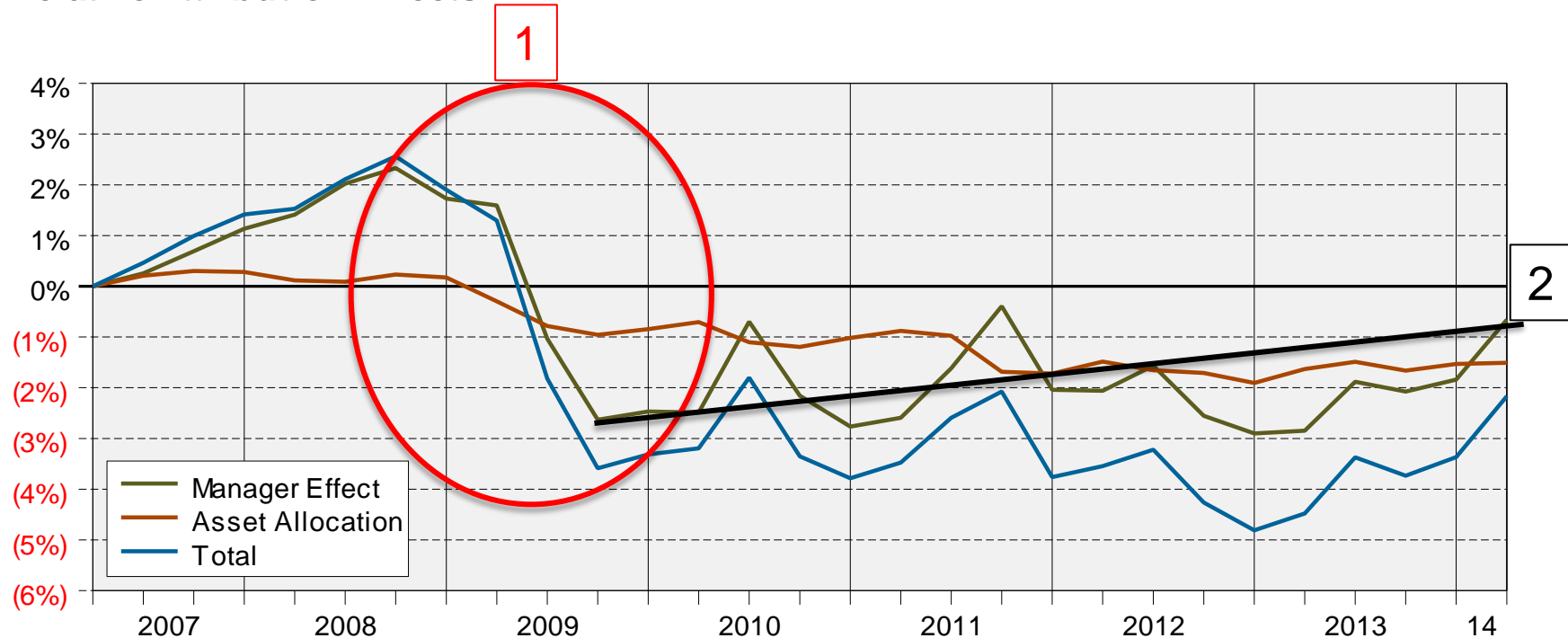
## Three Quarters Relative Attribution Effects

Asset Class	Effective Actual Weight	Effective Target Weight	Actual Return	Target Return	Manager Effect	Asset Allocation	Total Relative Return
Domestic Equity	30%	26%	20.47%	19.40%	0.30%	0.23%	0.53%
Fixed-Income	12%	12%	3.02%	1.97%	0.14%	(0.07%)	0.07%
Real Assets	17%	17%	8.92%	7.23%	0.29%	0.00%	0.29%
Global Equity ex US	23%	25%	18.03%	16.17%	0.43%	(0.11%)	0.32%
Private Equity	8%	9%	18.10%	19.48%	(0.14%)	(0.04%)	(0.18%)
Absolute Return	4%	5%	6.68%	3.77%	0.12%	0.08%	0.20%
Other Alternatives	3%	3%	15.96%	14.18%	0.05%	(0.01%)	0.04%
Cash Equiv	3%	3%	0.22%	0.04%	0.01%	0.05%	0.06%
<b>Total</b>			<b>14.18%</b>	<b>= 12.85%</b>	<b>+ 1.20%</b>	<b>+ 0.14%</b>	<b>1.33%</b>

- “Manager Effect” is large; “Asset Allocation Effect” is positive, but small. All good.

# PERS Intermediate-Term Performance as of 3/31/14

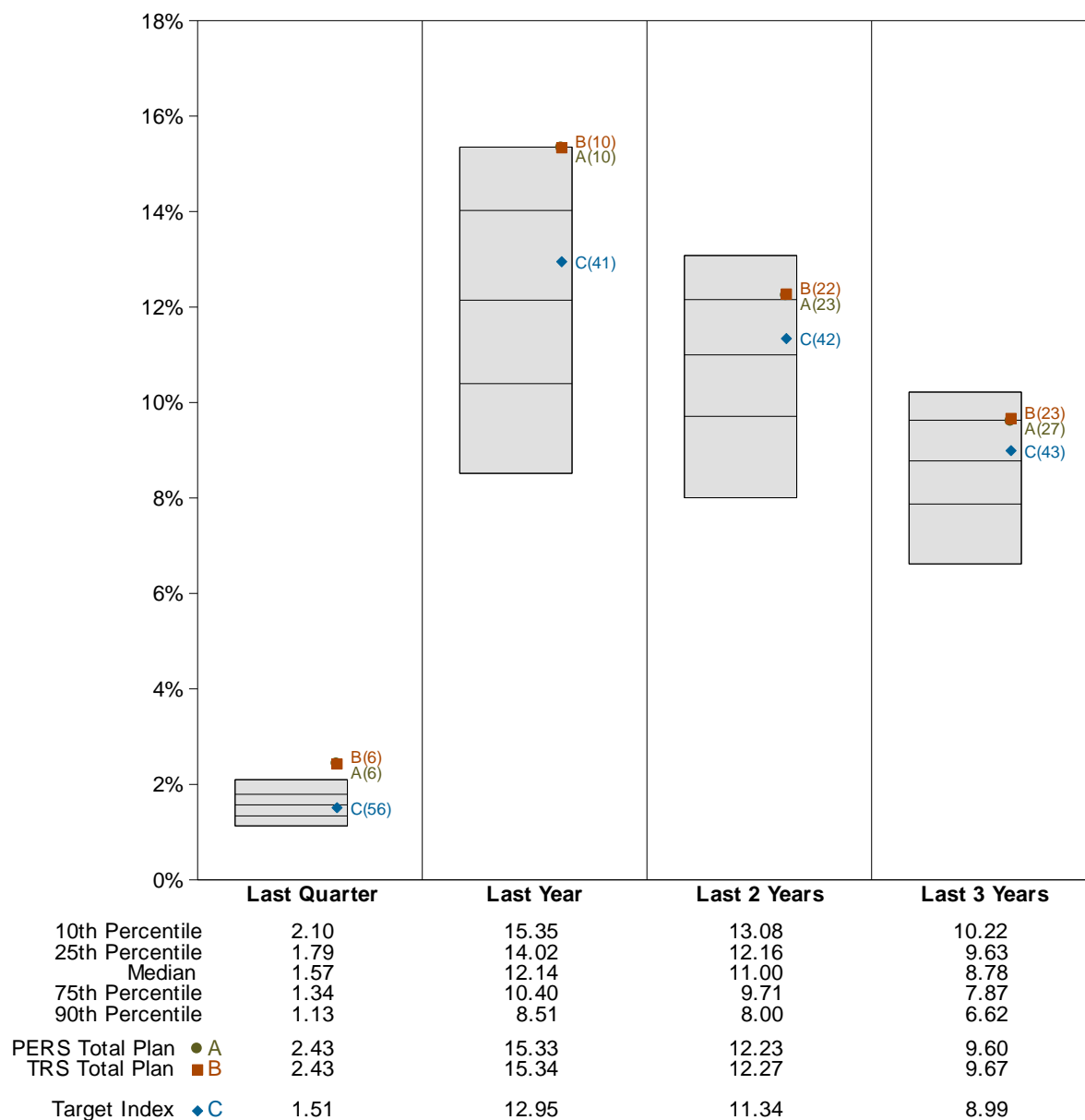
## Cumulative Relative Attribution Effects



1. The credit crisis caused caught all long-term investors in a short-term dilemma:
  - Shift focus for liquidity, or maintain a long-term asset allocation perspective?
2. Manager Effect – the ability of managers on a collective basis to produce returns above their benchmarks – has been maintained through the economic recovery.

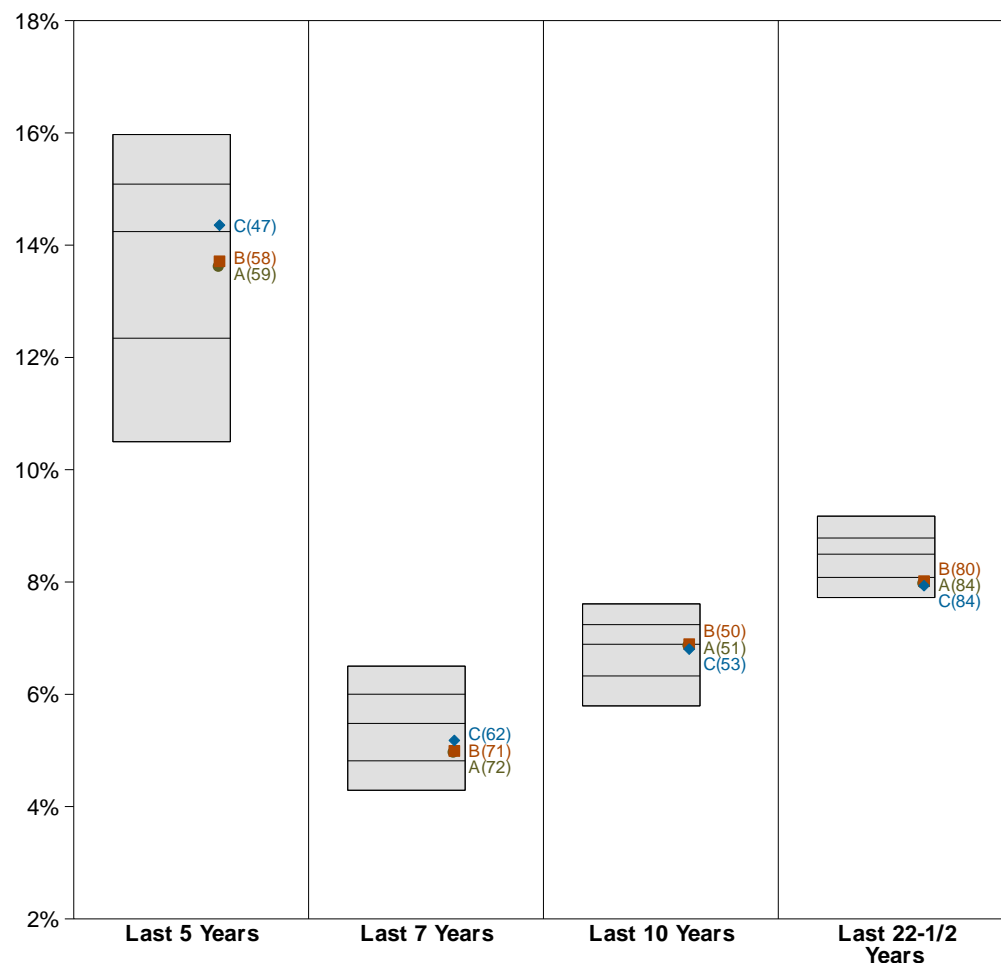


# Cumulative Total Fund Returns through 3/31/14



PERS and TRS have produced top quartile returns through all cumulative periods over the last three (3) years ended 3/31/14.

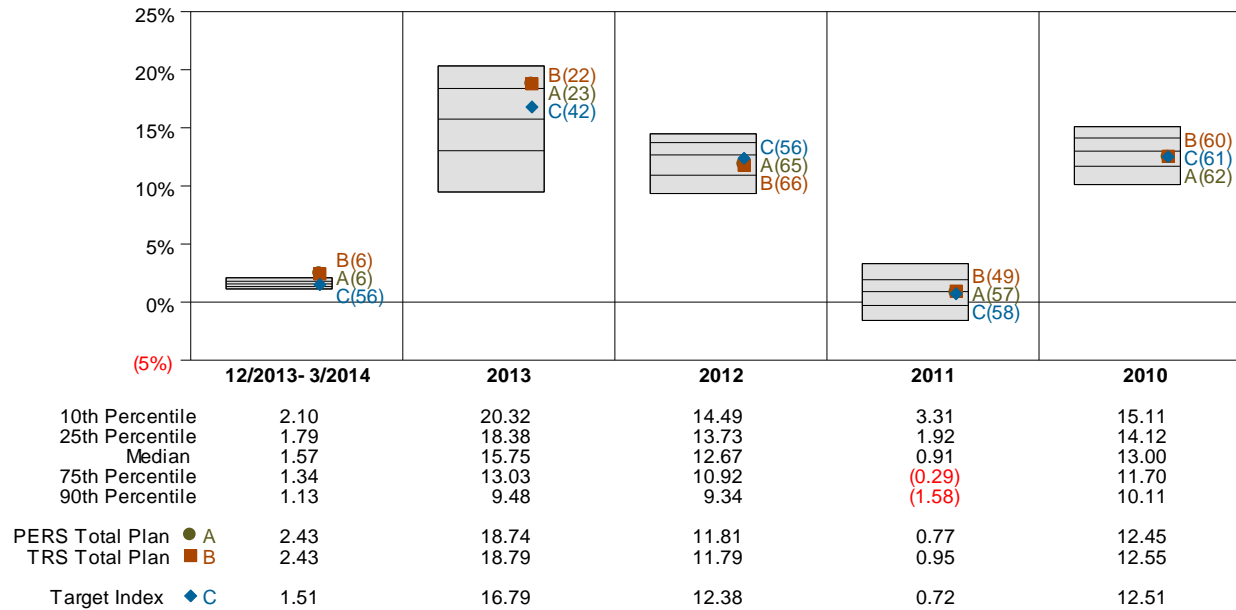
# Longer-Term Returns through 3/31/14



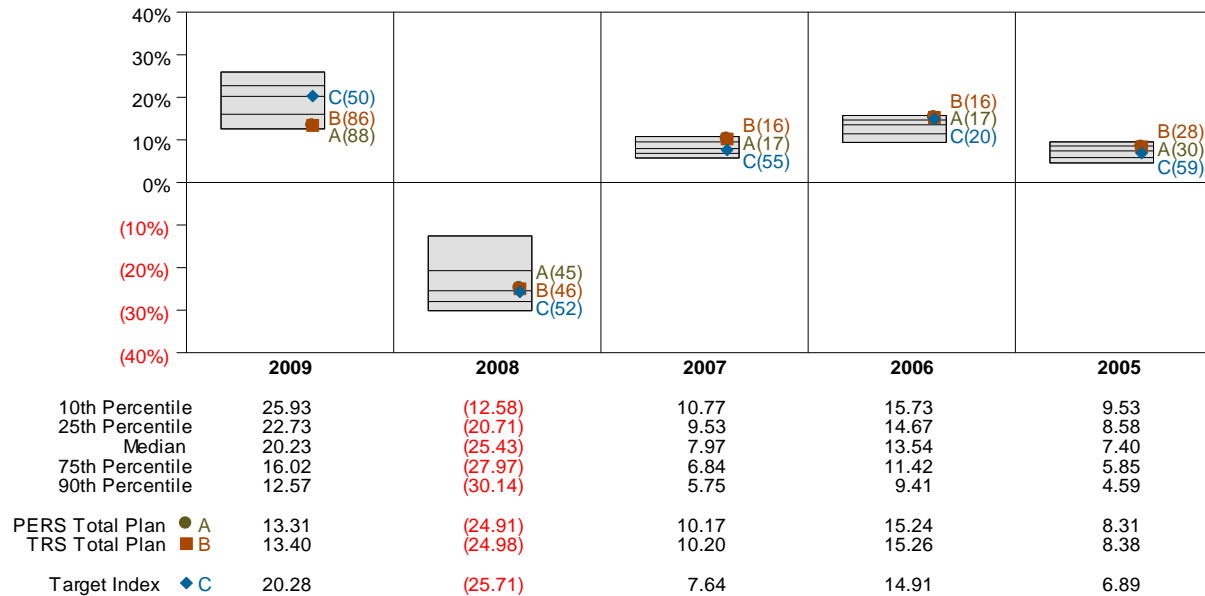
10th Percentile	15.97	6.50	7.61	9.17
25th Percentile	15.09	6.00	7.24	8.78
Median	14.24	5.48	6.89	8.50
75th Percentile	12.34	4.81	6.33	8.08
90th Percentile	10.50	4.29	5.79	7.72
PERS Total Plan ● A	13.60	4.95	6.85	7.96
TRS Total Plan ■ B	13.71	4.99	6.89	8.02
Target Index ◆ C	14.36	5.18	6.80	7.93

- 5-year performance still affected by 2009 timing related issues
- 10- and 22-1/2 year results essentially at Target
- 10-year return near median with improvement over the longer term rankings

# Calendar Period Performance through 3/31/14

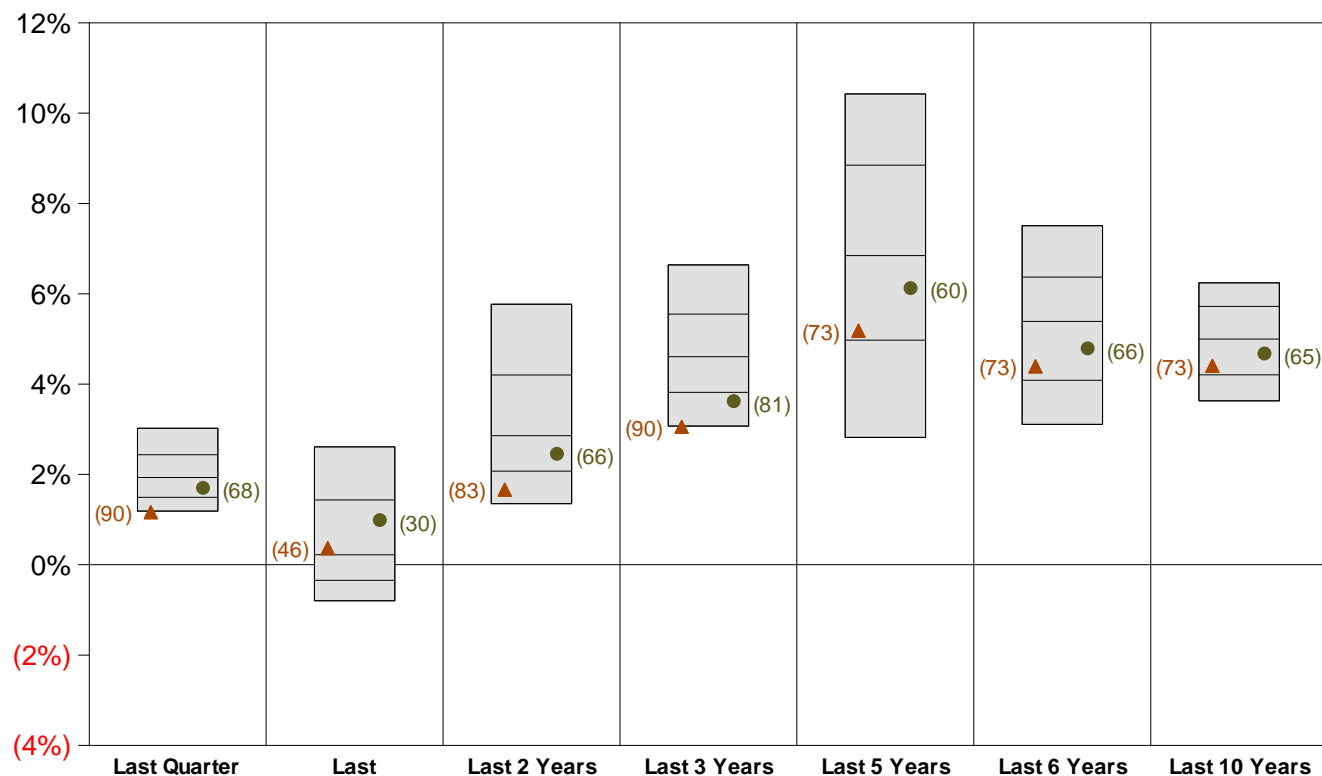


- Very tight range of returns during the first calendar quarter of 2014.
- Wide range of returns during calendar 2013 due to varying fixed-income allocations within the Public Fund universe.
- PERS and TRS have ranked near or above median in seven of the 10 periods.



# Total Bond as of 3/31/14

## Performance vs Pub Pln- Domestic Fixed (Gross)

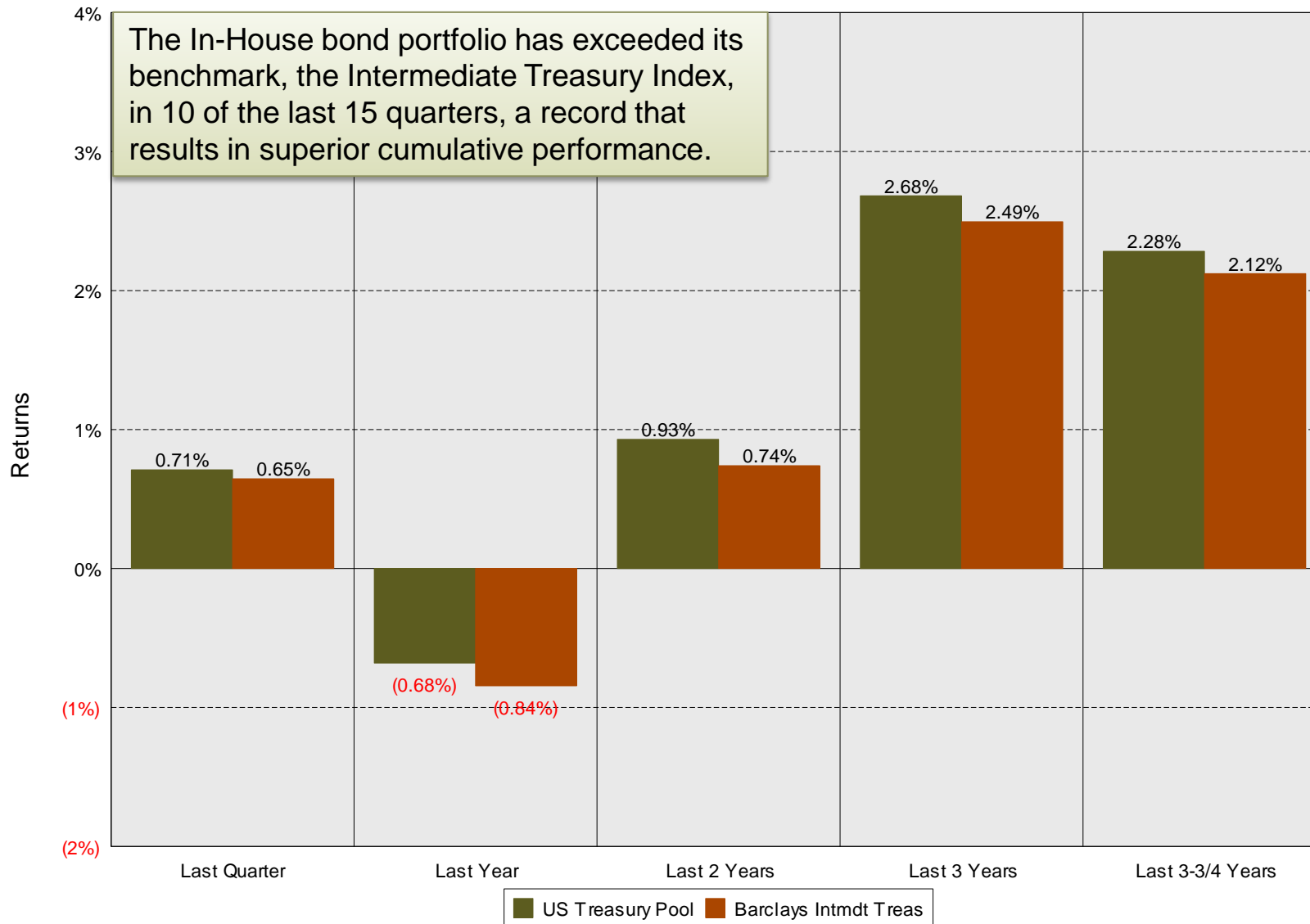


- The Total Bond portfolio has a custom target, intermediate in nature, that reflects a cautious view on the risk of rising rates.
- The strategy's returns have exceeded its benchmark over all periods.

• Includes In-House and External Portfolios

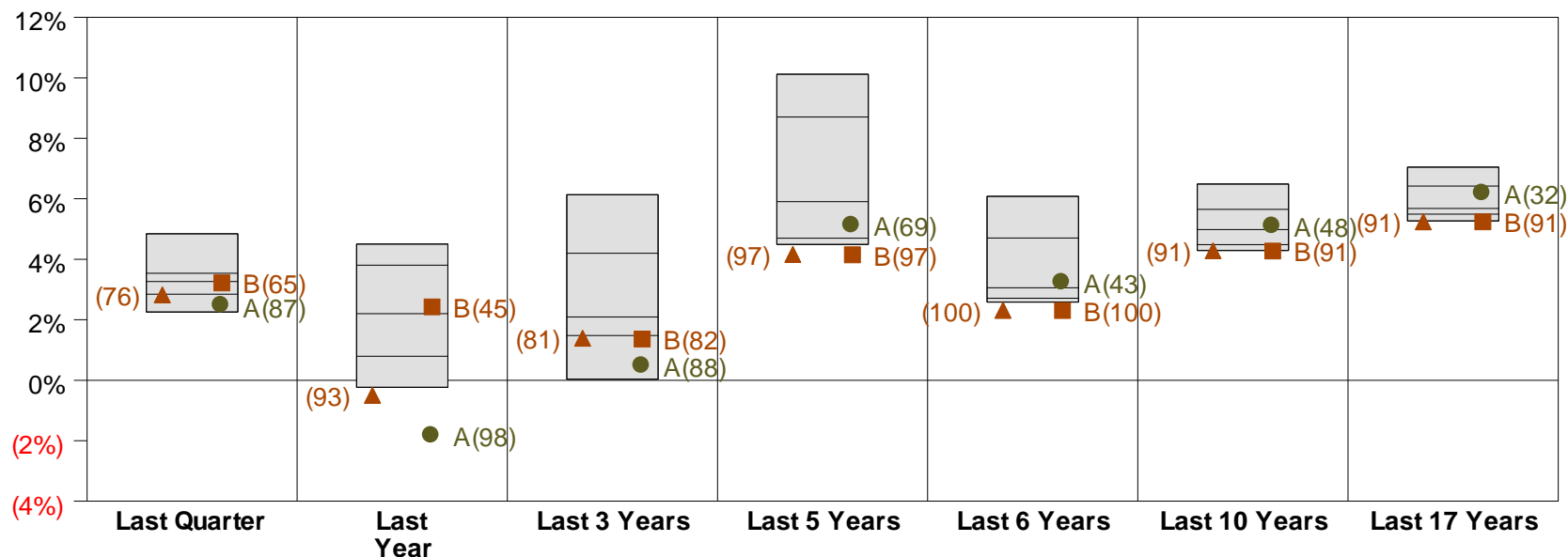
# In-House Portfolio as of 3/31/14

Compared to BC Intermediate Treasury Index



# Non-U.S. Fixed Income through 3/13/14 - Mondrian

## Performance vs CAI Non-U.S. Fixed-Inc Style (Gross)



10th Percentile	4.84	4.50	6.14	10.12	6.08	6.49	7.05
25th Percentile	3.54	3.80	4.20	8.71	4.71	5.65	6.42
Median	3.27	2.20	2.09	5.90	3.06	4.98	5.68
75th Percentile	2.85	0.79	1.48	4.70	2.71	4.48	5.49
90th Percentile	2.25	(0.23)	0.03	4.49	2.58	4.29	5.27

Mondrian	● A	2.46	(1.85)	0.46	5.11	3.22	5.09	6.17
Investment Partners	■ B	3.22	2.43	1.37	4.15	2.30	4.27	5.24
Citi WGBI Non-US Idx	▲	2.82	(0.50)	1.39	4.16	2.31	4.28	5.24
Mondrian Benchmark								

- Returns have lagged the custom benchmark in 9 of 13 quarters since 2011.
- Results are better than benchmark for cumulative periods five years and longer.

# High Yield Bonds through 3/31/14 – MacKay Shields

## Performance vs CAI High Yield Fixed-Inc Style (Gross)

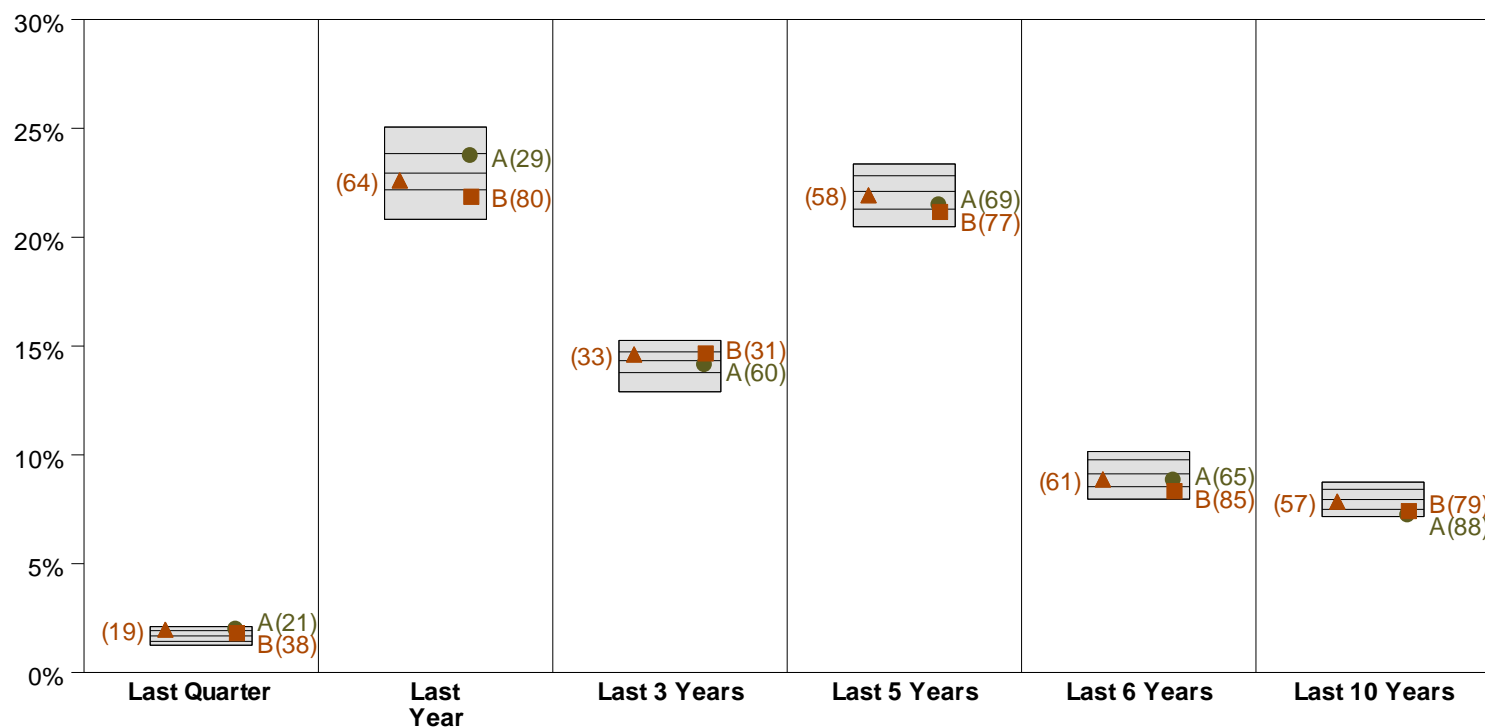


10th Percentile	3.42	9.05	11.89	9.77	19.36	11.91	9.94
25th Percentile	3.20	8.28	10.94	9.44	17.79	11.21	9.32
Median	3.09	7.62	10.34	8.92	16.57	10.49	8.68
75th Percentile	2.90	6.98	9.44	8.48	15.19	9.55	8.08
90th Percentile	2.63	6.34	8.76	8.00	13.95	9.10	7.77
MacKay Shields ● A	2.91	7.43	10.01	9.45	15.19	10.06	8.47
BC Aggregate Index ■ B	1.84	(0.10)	1.82	3.75	4.80	4.52	4.62
High Yield Target ▲	3.00	7.52	10.28	8.71	18.19	10.68	8.65

- Benchmark-like returns over last two years and longer cumulative periods.
- Higher yielding strategies have produced better returns than the Aggregate index.

# Total Domestic Equity through 3/31/14

## Performance vs Pub Pln- Domestic Equity (Gross)



10th Percentile	2.11	25.06	15.26	23.37	10.16	8.75	
25th Percentile	1.93	23.84	14.73	22.83	9.77	8.42	
Median	1.68	22.95	14.33	22.11	9.13	7.95	
75th Percentile	1.43	22.18	13.78	21.29	8.54	7.50	
90th Percentile	1.25	20.82	12.90	20.49	7.97	7.16	
Domestic Equity Pool	● A	1.95	23.69	14.10	21.44	8.79	7.18
Standard							
& Poor's 500	■ B	1.81	21.86	14.66	21.16	8.33	7.42
Russell 3000 Index	▲	1.97	22.61	14.61	21.93	8.87	7.86

- Returns relative to peer group have been improving over the last five (5) years.



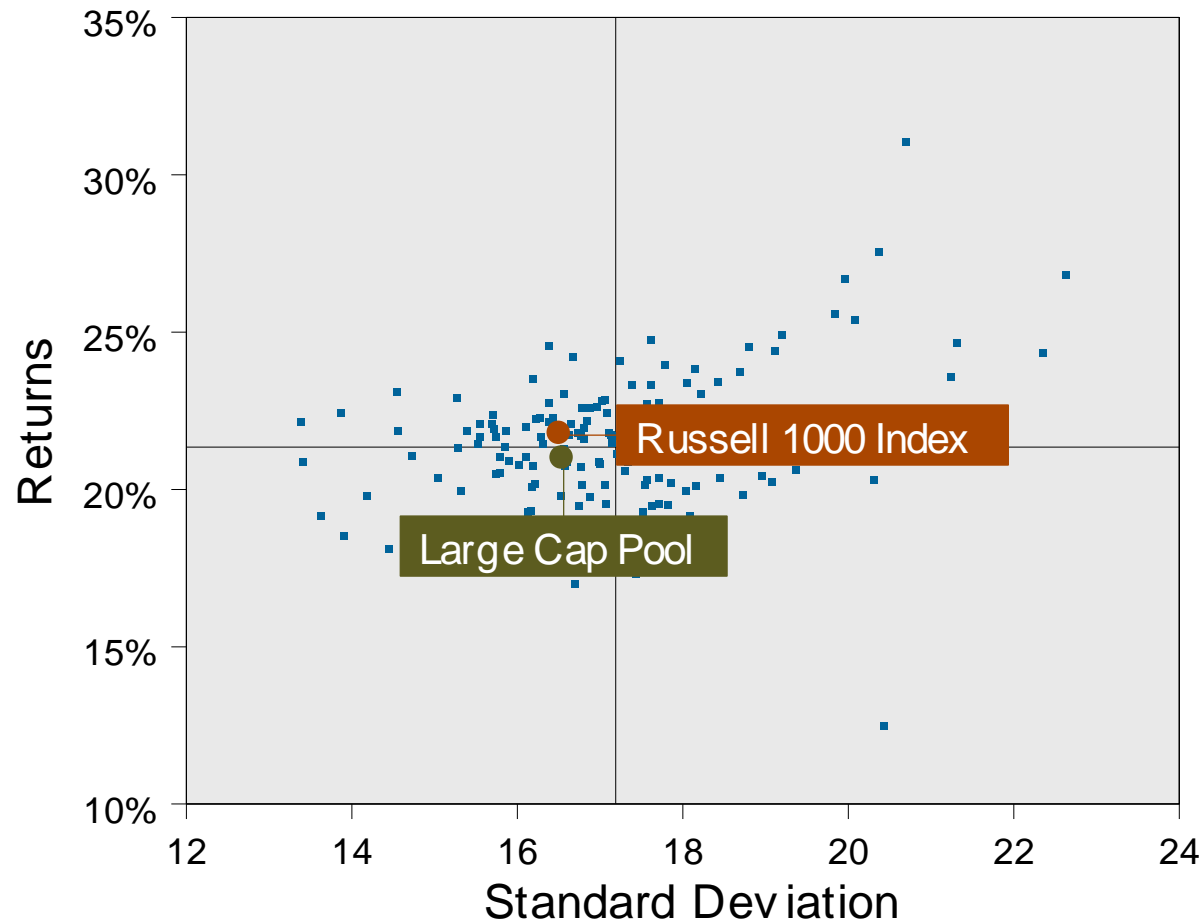
# Domestic Equity Component Returns through 3/31/14

	Last Quarter	Last Year	Last 3 Years	Last 5 Years	Last 6 Years
Total Dom Equity Pool	1.95%	23.69%	14.10%	21.44%	8.79%
Russell 3000 Index	1.97%	22.61%	14.61%	21.93%	8.87%
Large Cap Managers	1.82%	23.09%	14.40%	20.94%	8.47%
Large Cap Active	1.60%	24.55%	13.96%	20.73%	8.77%
Large Cap Passive	1.94%	22.26%	14.74%	21.10%	8.21%
Russell 1000 Index	2.05%	22.41%	14.75%	21.73%	8.71%
Small Cap Managers	2.06%	29.17%	14.72%	24.48%	10.75%
Small Cap Active	2.08%	29.53%	15.24%	25.01%	11.32%
Small Cap Passive	1.52%	23.61%	11.97%	23.07%	9.65%
Russell 2000 Index	1.12%	24.90%	13.18%	24.31%	10.85%
Alternative Equity	2.35%	17.22%	9.18%	-	-

- Newly adopted policy (effective 7-1-13) alters cosmetics of “true” traditional active & passive returns
  - “Alternative Equity” category includes defensive equity oriented portfolios
  - Now includes the Relational portfolio & in-house equity yield portfolio
- Calendar 2013 results were very strong across the equity structure
- Active small cap managers, exceeding benchmark, have propelled overall equity results

# Large Cap Domestic Equity Pool through 3/31/14

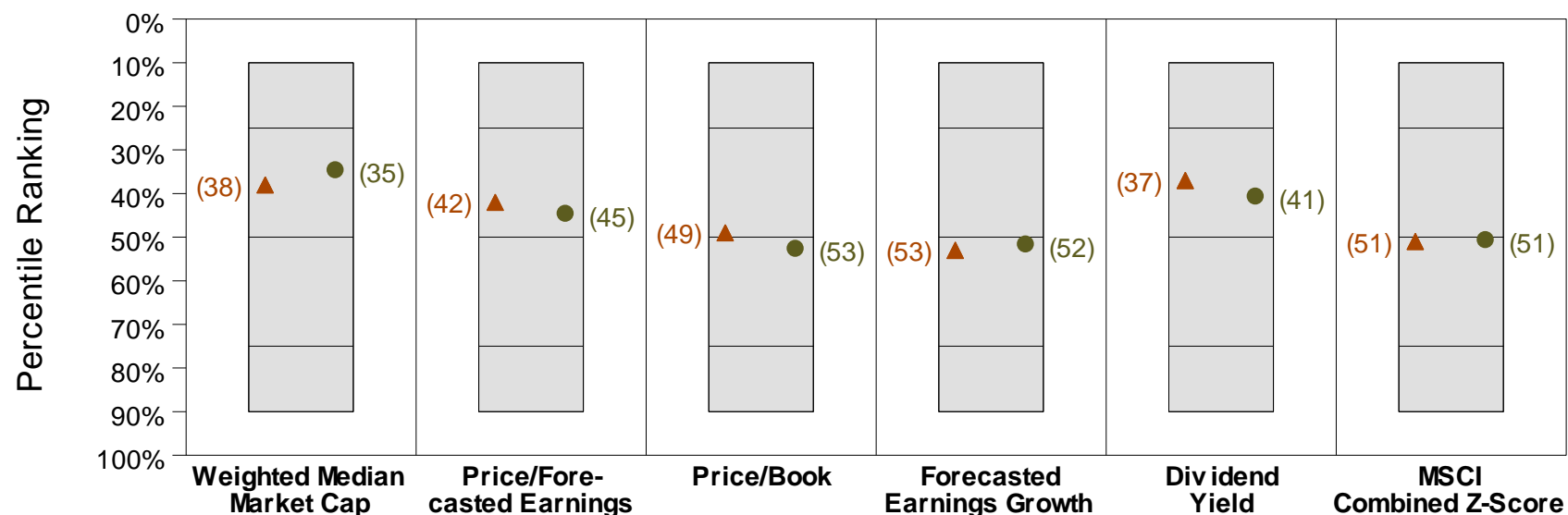
## CAI Large Capitalization Style (Gross) Annualized Five Year Risk vs Return



- Nearly 2/3 of large cap allocation is passive, yet market-like returns achieved with less risk.

# Large Cap Total Equity Characteristics as of 3/31/14

## Portfolio Characteristics Percentile Rankings Rankings Against CAI Large Capitalization Style as of March 31, 2014

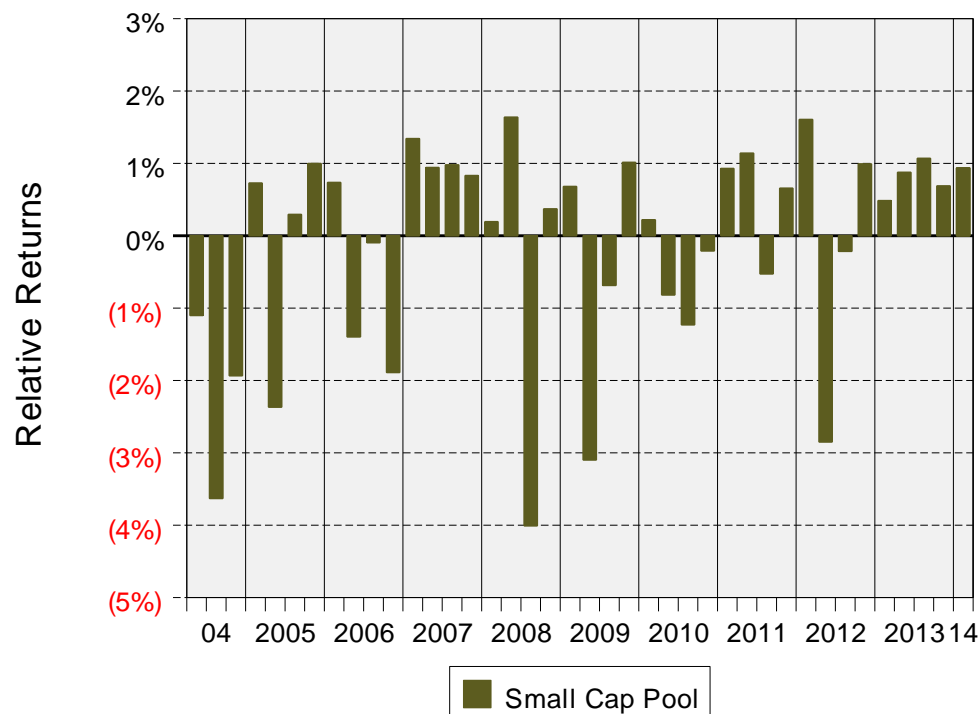


10th Percentile	72.80	21.11	4.68	19.13	2.39	1.44
25th Percentile	60.24	17.90	3.96	15.88	2.09	0.93
Median	52.12	15.08	2.56	12.25	1.73	0.03
75th Percentile	37.76	13.69	1.93	10.19	1.24	(0.57)
90th Percentile	28.07	13.14	1.73	9.10	0.76	(0.75)
<b>*Large Cap Pool</b> ●	56.77	15.45	2.49	11.94	1.87	(0.04)
<b>Russell 1000 Index</b> ▲	55.25	15.95	2.57	11.79	1.93	(0.01)

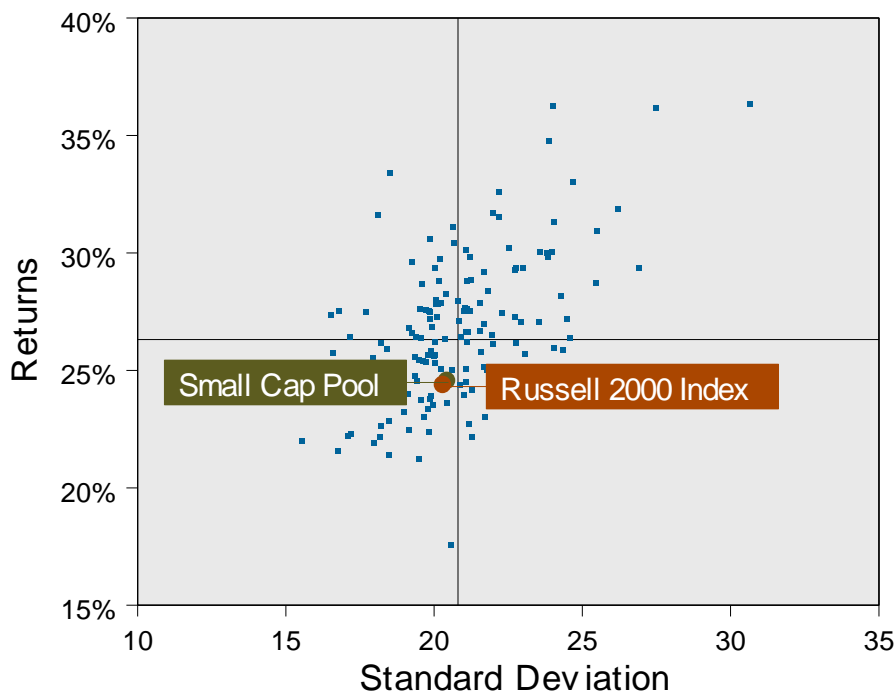
- Characteristics are very similar to the large cap benchmark, the Russell 1000 Index.
- No style bias in the large cap portfolio, as reflected by the Combined Z-Score.

# Small Cap Pool through 3/31/14

Relative Return vs Russell 2000 Index



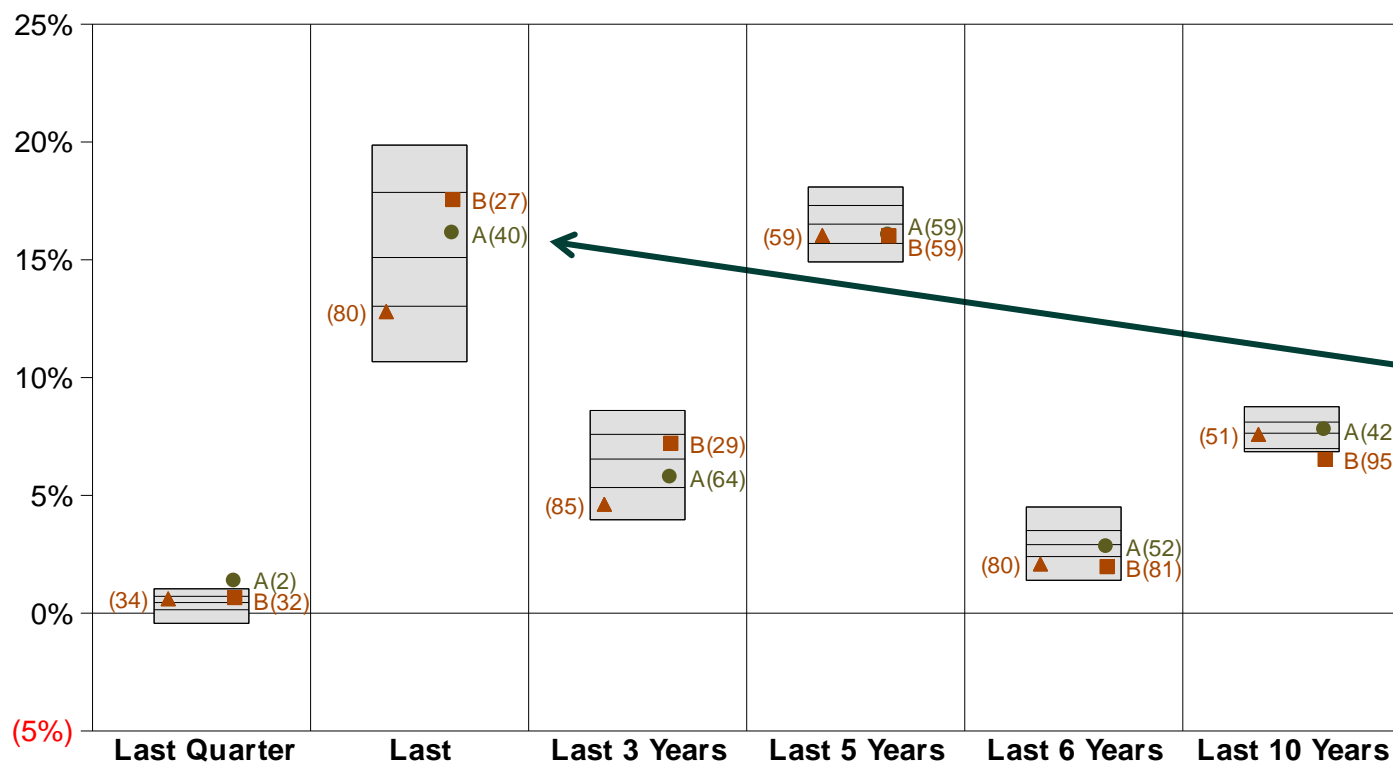
CAI Small Capitalization Style (Gross)  
Annualized Five Year Risk vs Return



- Cumulative returns are at or above benchmark for periods six years and under.
- Quarterly returns have been above benchmark in six of the last nine quarters.
- Five-year cumulative returns are less volatile than the peer group of small cap managers.

# International Equity through 3/31/14

## Performance vs Pub Pln- International Equity (Gross)



- Relative returns are improving.
- Risk-adjusted returns are better than above median.

10th Percentile	1.03	19.87	8.60	18.09	4.51	8.77	
25th Percentile	0.72	17.87	7.59	17.31	3.51	8.11	
Median	0.45	15.10	6.54	16.51	2.91	7.64	
75th Percentile	0.15	13.03	5.33	15.70	2.40	6.99	
90th Percentile	(0.43)	10.67	3.96	14.91	1.40	6.86	
Employees' Total Int'l Equity	● A	1.34	16.11	5.75	16.03	2.80	7.77
MSCI EAFE Index	■ B	0.66	17.56	7.21	16.02	1.97	6.53
MSCI ACWI ex US Index	▲	0.61	12.80	4.63	16.04	2.09	7.59

# International Equity ex Emerging Markets through 3/31/14

## Performance vs CAI Non-U.S. Equity Style (Gross)

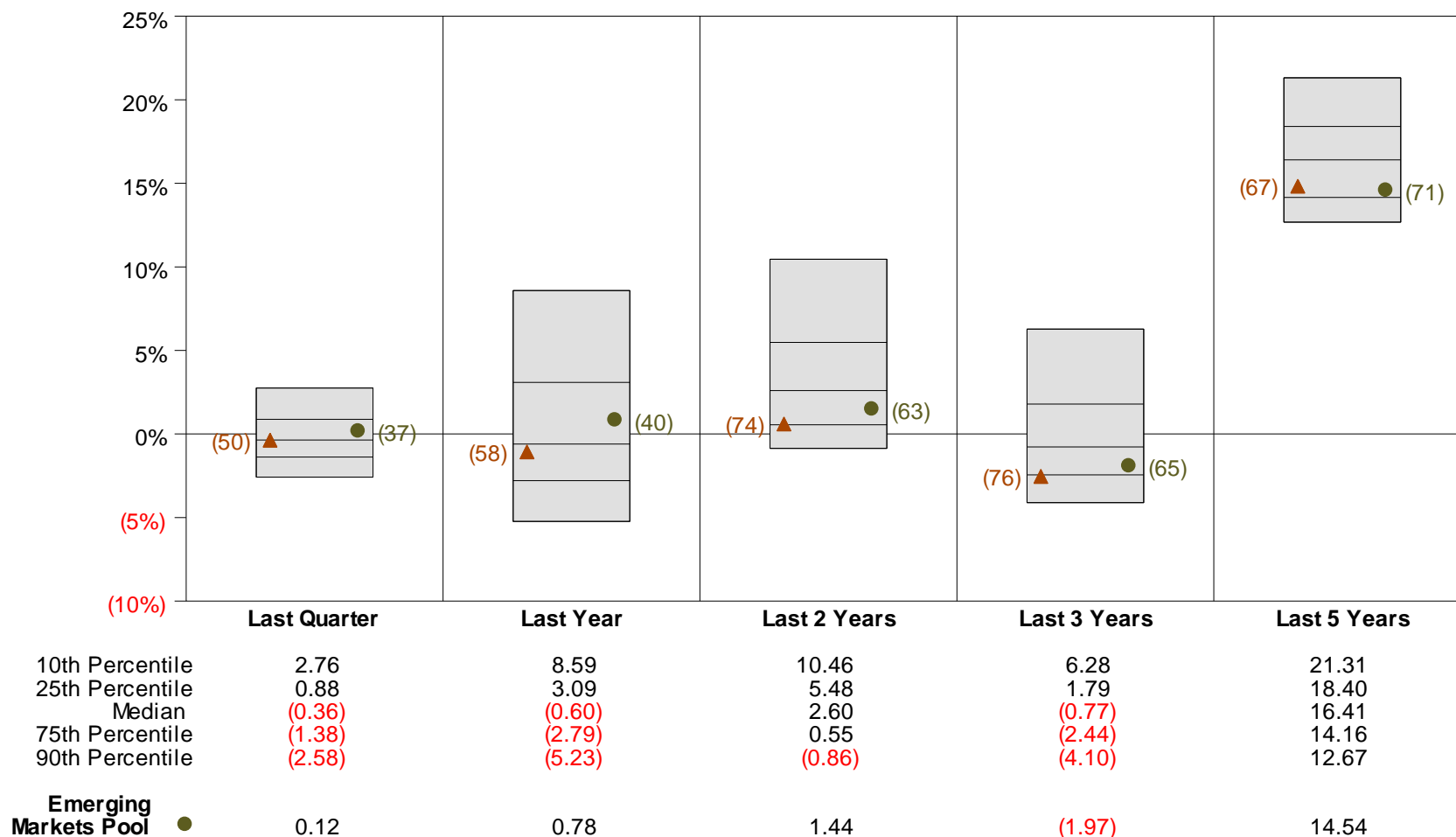


10th Percentile	2.86	24.42	17.93	10.72	19.98	5.64	9.69
25th Percentile	1.47	21.04	16.41	9.34	18.25	4.52	8.83
Median	0.61	17.82	14.22	7.85	17.03	3.34	7.72
75th Percentile	(0.50)	14.58	12.06	6.49	15.59	2.16	6.96
90th Percentile	(1.29)	11.24	10.54	4.18	14.30	1.05	6.35

Int'l Equity Pool (ex Emerging. Mkt)	●	1.33	18.25	13.56	7.09	15.71	2.63	7.10
MSCI EAFE Index	▲	0.66	17.56	14.36	7.21	16.02	1.97	6.53

# Emerging Markets Pool through 3/31/14

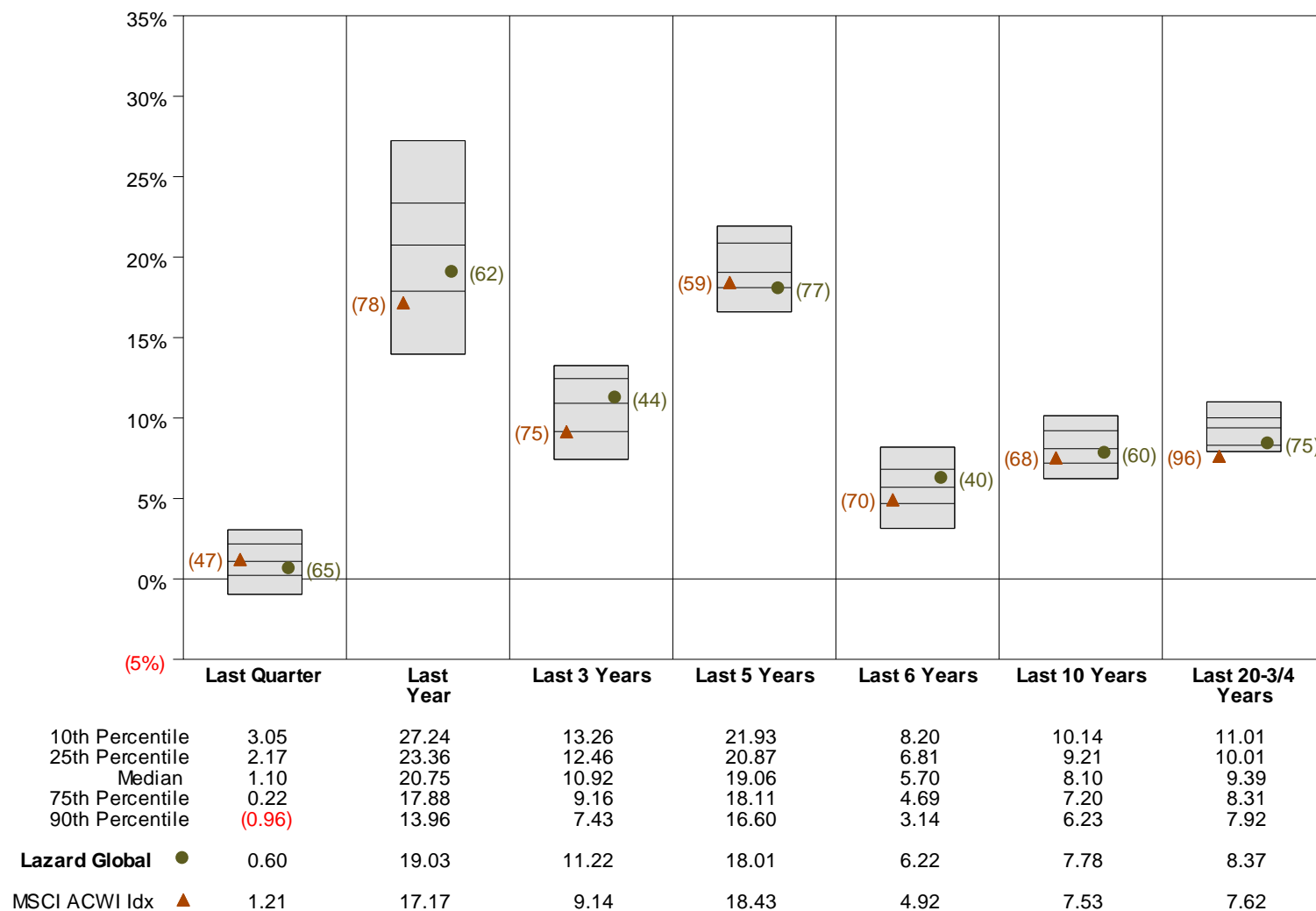
## Performance vs CAI Emerging Markets Equity DB (Gross)



- The Emerging Markets Pool has exceeded benchmark in each of last 5 quarters.
- Returns in 2011 and 2012 were below median but have improved since then.

# Global Equity through 3/31/14 - Lazard

## Performance vs CAI Global Equity Broad Style (Gross)



- Returns have exceeded benchmark in 10 of the last 12 quarters.



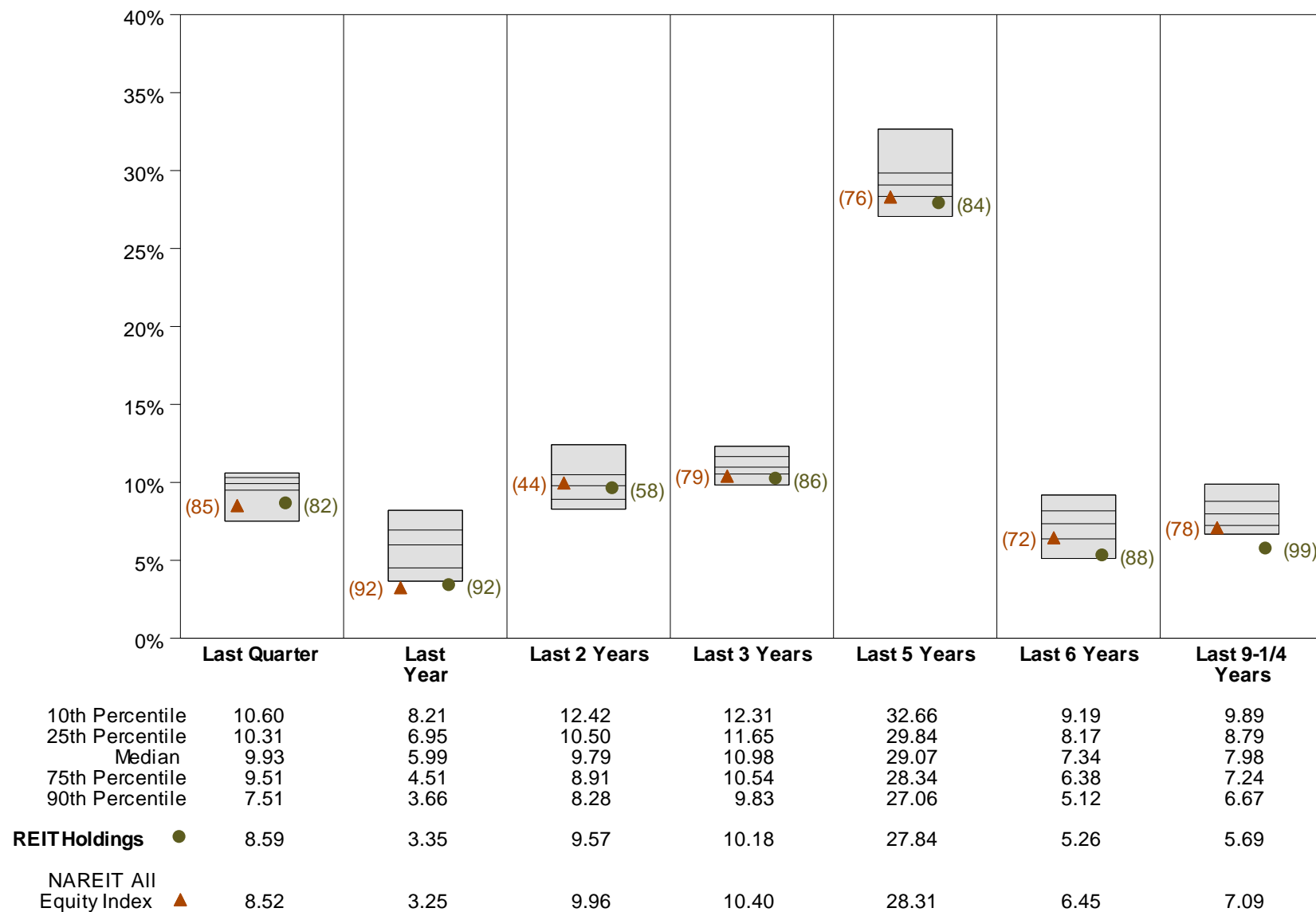
## Real Assets through 3/31/14 – Continuing above target

	Last Quarter	Fiscal YTD	Last Year	Last 3 Years	Last 5 Years
<b>Real Assets</b>	<b>4.26%</b>	<b>8.92%</b>	<b>10.15%</b>	<b>11.64%</b>	<b>7.75%</b>
Real Assets Target (1)	2.44%	7.34%	7.99%	10.19%	7.45%
Real Estate Pool	5.20%	9.99%	11.64%	11.18%	6.68%
Real Estate Target (2)	3.32%	7.84%	10.40%	11.68%	10.09%
Private Real Estate	4.43%	10.84%	13.07%	11.33%	6.04%
NCREIF Total Index	2.74%	8.07%	11.17%	11.69%	7.89%
REIT Internal Portfolio	8.59%	5.41%	3.35%	10.18%	27.84%
NAREIT Equity Index	8.52%	5.50%	3.25%	10.40%	28.31%
 Total Farmland	 1.83%	 7.11%	 8.02%	 12.93%	 10.85%
UBS Agrivest	2.50%	7.92%	9.07%	14.65%	11.69%
Hancock Agricultural	0.63%	5.69%	6.18%	10.10%	9.54%
ARMB Farmland Target (3)	2.34%	9.41%	11.32%	15.69%	12.55%
 Total Timber	 5.23%	 7.94%	 9.23%	 6.50%	 4.26%
Timberland Investment Resources	0.37%	4.77%	6.55%	4.14%	2.59%
Hancock Timber	15.97%	14.60%	14.83%	11.06%	-
NCREIF Timberland Index	1.62%	8.77%	9.78%	6.59%	2.86%
 TIPS Internal Portfolio	 1.89%	 0.51%	 (6.21%)	 3.90%	 5.15%
BC US TIPS Index	1.95%	0.61%	(6.49%)	3.50%	4.91%
 Total Energy Funds *	 (1.56%)	 (2.78%)	 1.08%	 1.50%	 4.55%
CPI + 5%	2.65%	4.83%	6.41%	6.87%	7.34%
 MLP Composite	 7.19%	 14.99%	 18.25%	 -	 -
Alerian MLP Index	1.87%	6.47%	8.54%	13.53%	27.30%

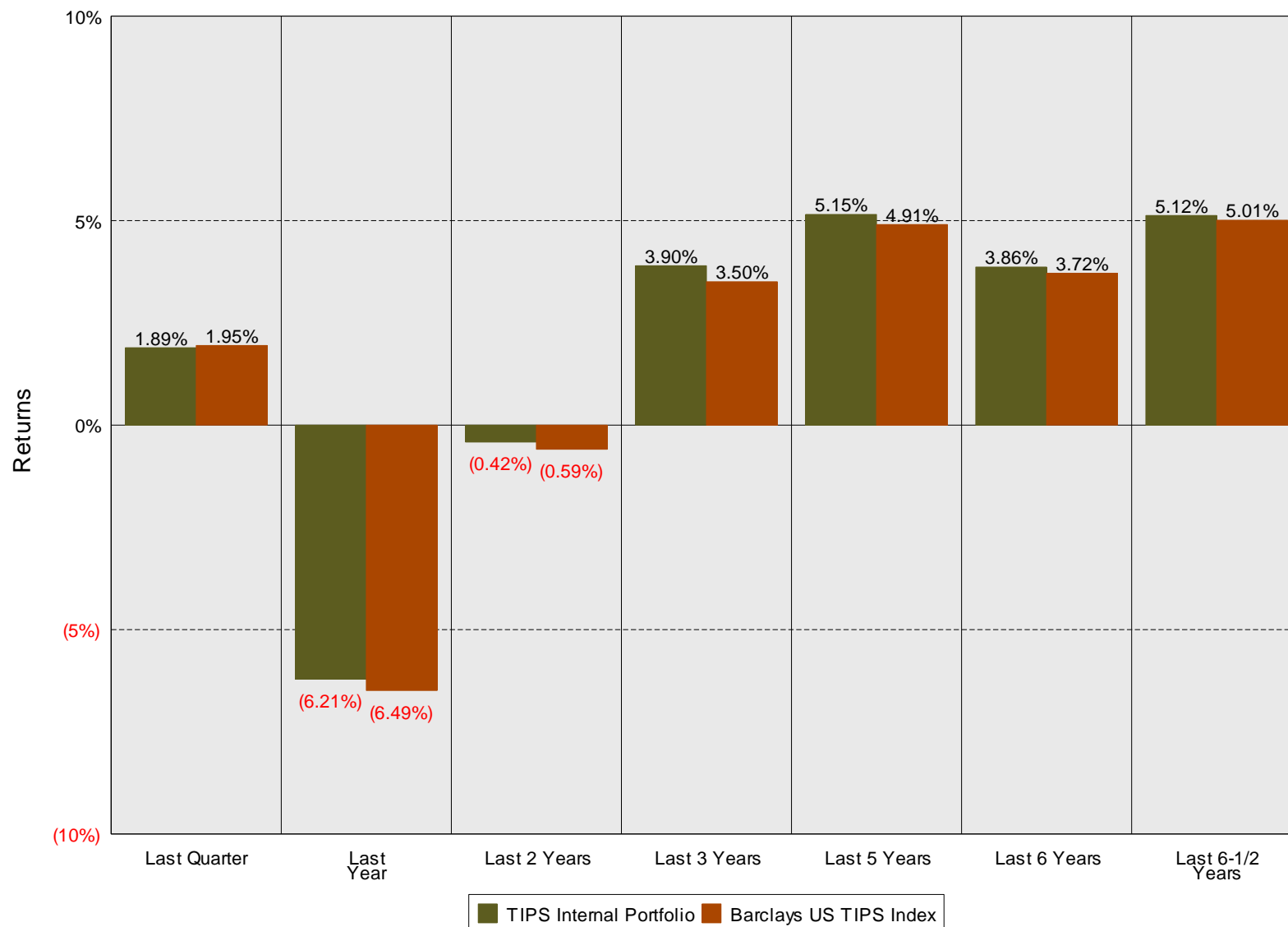
- Real estate returns are provided to Callan by ARMB's real estate consultant.

# REIT Portfolio through 3/31/14

## Performance vs CAI Real Estate-REIT DB (Gross)



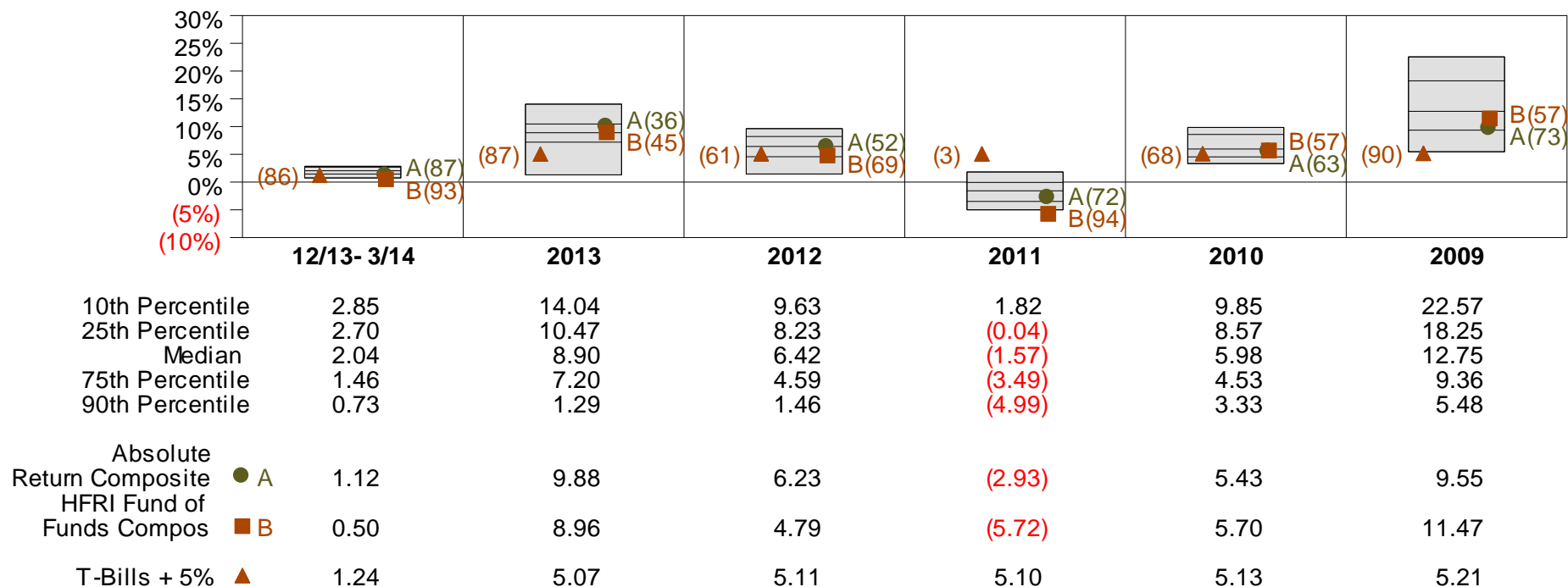
# Internally Managed TIPS Portfolio through 3/31/14



- Consistently excellent results through challenging market environments.

# Absolute Return Composite through 3/31/14

## Performance vs Absolute Return Hedge FoFs Style (Net)



- Absolute return allocation has exceeded T-bills + 5% in four of the last five complete calendar years.
- 2011 was the exception when the allocation underperformed by 8.03%.

# Individual Account Option Performance: 3/31/14

## Balanced & Target Date Funds

Investment Manager	Market Value (\$mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
<b>Balanced &amp; Target Date Funds</b>											
<b>Alaska Balanced Fund</b> CAI Mt Fd: Domestic Balanced Style Passive Target	\$1,191	1.8 48	7.5 93	7.3 85	10.7 96	5.8 29	6.1 100		0.7 46	0.5 100	1.7 1
		1.8 49	7.2 93	7.2 86	10.3 97	5.6 31	5.7 100				1.8 1
<b>Long Term Balanced Fund</b> CAI Mt Fd: Domestic Balanced Style Passive Target	\$586	1.8 49	13.0 61	9.7 52	14.7 51	6.0 27	10.3 84		0.6 28	0.4 100	1.4 21
		1.8 49	12.7 67	9.6 60	14.4 57	5.9 28	10.0 89				1.4 19
<b>Target 2010 Trust</b> CAI Tgt Date 2010 Custom Index	\$13	1.6 35	10.3 9	8.1 16						0.2 99	
		1.6 44	10.3 9	8.1 16							
<b>Target 2015 Trust</b> CAI Tgt Date 2015 Custom Index	\$120	1.7 23	12.5 7	9.2 6	13.0 47	7.0 1	9.6 58		0.1 51	0.1 99	1.3 46
		1.7 26	12.5 7	9.2 6	13.0 47	6.8 1	9.7 57				1.3 53
<b>Target 2020 Trust</b> CAI Tgt Date 2020 Custom Index	\$89	1.8 18	14.4 6	10.1 5	15.7 20	5.5 4	11.8 29		-0.2 40	0.2 99	1.3 33
		1.7 20	14.4 6	10.1 5	15.7 20	5.4 5	11.9 29				1.3 33
<b>Target 2025 Trust</b> CAI Tgt Date 2025 Custom Index	\$63	1.8 21	16.2 12	10.9 12	17.6 17	5.0 36	13.5 45		-0.2 27	0.3 99	1.3 12
		1.8 26	16.1 12	11.0 11	17.7 16	5.0 37	13.6 34				1.3 14
<b>Target 2030 Trust</b> CAI Tgt Date 2030 Custom Index	\$50	1.8 16	17.7 9	11.6 5						0.3 100	
		1.8 17	17.6 9	11.6 5							
<b>Target 2035 Trust</b> CAI Tgt Date 2035 Custom Index	\$52	1.8 13	18.9 8	12.0 1						0.3 100	
		1.8 14	18.8 9	12.1 1							
<b>Target 2040 Trust</b> CAI Tgt Date 2040 Custom Index	\$59	1.8 16	19.5 8	12.3 2						0.3 100	
		1.8 17	19.4 8	12.4 1							
<b>Target 2045 Trust</b> CAI Tgt Date 2045 Custom Index	\$71	1.8 16	19.5 8	12.3 1						0.3 99	
		1.8 17	19.4 9	12.4 1							
<b>Target 2050 Trust</b> CAI Tgt Date 2050 Custom Index	\$83	1.8 22	19.5 4	12.3 1						0.3 99	
		1.8 22	19.4 4	12.4 1							
<b>Target 2055 Trust</b> CAI Tgt Date 2055 Custom Index	\$37	1.8 17	19.4 11	12.3 3						0.3 100	
		1.8 18	19.4 11	12.4 3							

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

Risk Quadrant:  


Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

# Other Options: 3/31/14

## Active Equity, Stable Value, and Interest Income

Investment Manager	Market Value (\$mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
<b>Active and Other Funds</b>											
<b>Brandes Int'l Fund</b> CAI Mut Fd: Non-U.S. Equity Style MSCI EAFE Index	\$78	2.5 9	24.3 6	7.8 29						3.2 69	
		0.7 42	17.6 48	7.2 38	16.0 51	1.3 67	20.6 61				0.8 45
<b>RCM Soc Resp</b> CAI Mut Fd: Core Equity Style KLD 400 Social Idx	\$37	1.2 57	18.5 89	11.0 79	18.4 71		17.8 28		-0.6 75	3.4 54	1.0 79
		2.0 32	22.9 34	15.5 12	21.1 15	6.9 22	16.1 64				1.3 8
<b>T. Rowe Price Small Cap</b> CAI Mut Fd: Sm Cap Broad Style Russell 2000 Index	\$142	2.1 23	26.1 47	15.7 14	28.1 11	10.4 7	20.7 51		2.6 1	1.2 99	1.3 12
		1.1 46	24.9 54	13.2 45	24.3 50	7.1 55	20.3 59				1.2 44
<b>T. Rowe Price Stable Value Fd</b> CAI Stable Value Database 5 Yr U.S. Treas Rolling	\$343	0.6 1	2.4 8	2.9 7	3.3 12	3.6 17	0.3 56		5.1 1	0.1 100	10.6 32
		0.4 48	1.5 55	2.1 45	2.6 40	3.0 49	0.4 31				6.2 69
<b>Def Comp Interest Income Fund</b> CAI Stable Value Database 5 Yr U.S. Treas Rolling	\$183	0.7 1	2.9 1	3.4 1	3.8 1	4.1 1	0.3 57		8.4 1	0.1 100	12.7 24
		0.4 48	1.5 55	2.1 45	2.6 40	3.0 49	0.4 31				6.2 69

Returns:  
■ above median  
■ third quartile  
■ fourth quartile

Risk:  
■ below median  
■ second quartile  
■ first quartile

Risk Quadrant:  


Excess Return Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

Tracking Error:  
■ below median  
■ second quartile  
■ first quartile

Sharpe Ratio:  
■ above median  
■ third quartile  
■ fourth quartile

# Passive Options: 3/31/14

Investment Manager	Market Value (\$mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
<b>Index Funds</b>											
<b>State Street S&amp;P Index Fund (i)</b>	\$312	1.8 77	21.8 86	14.7 68	21.2 55	6.4 74	16.1 69		-0.2 64	0.0 100	1.3 41
CAI Large Cap Core Style											
S&P 500 Index		1.8 77	21.9 86	14.7 68	21.2 55	6.3 75	16.1 68				1.3 41
<b>BlackRock S&amp;P 500 Index Fund (i)</b>	\$166	1.8 41	21.9 65	14.7 49	21.2 41	6.4 53	16.1 65		0.9 1	0.0 98	1.3 25
CAI Mut Fd: Core Equity Style (Gross)											
S&P 500 Index		1.8 41	21.9 65	14.7 49	21.2 42	6.3 55	16.1 65				1.3 25
<b>SSgA Russell 3000 Index (i)</b>	\$50	1.9 38	22.5 53	14.6 26	22.0 16		16.8 61		0.4 4	0.1 100	1.3 9
CAI Mut Fd: Large Cap Broad Style (Net)											
Russell 3000 Index		2.0 38	22.6 52	14.6 26	21.9 17	6.6 43	16.8 61				1.3 9
<b>SSgA World Equity ex-U.S. Index (i)</b>	\$26	0.5 48	12.5 85	4.2 87	15.3 69		21.1 52		-0.2 83	1.2 99	0.7 67
CAI MF: Non-U.S. Equity Style (Net)											
MSCI ACWI x U.S. Index (Net)		0.5 45	12.3 86	4.1 88	15.5 65	1.7 62	21.2 52				0.7 60
<b>SSgAGlobal Balanced Index (i)</b>	\$54	1.6 61	10.3 26	7.0 47						0.4 100	
CAI Int'l/Global Balanced Database											
Global Balanced Custom Benchmark		1.5 61	10.0 27	6.7 49							
<b>SSgALong U.S. Treasury Index (i)</b>	\$8	7.2 30	-4.3 58	8.3 28	4.8 47		15.7 12		0.0 41	0.1 98	0.3 68
CAI Mut Fd: Extended Mat Fixed Income											
Barclays Long Treasury Index		7.1 33	-4.2 58	8.3 27	4.8 47	7.1 37	15.7 12				0.3 68
<b>SSgAU.S. TIPS Index (i)</b>	\$16	1.9 29	-6.6 50	3.4 15	4.8 28		5.1 65		-3.7 93	0.0 100	0.9 30
Lipper: TIPS Funds											
Barclays U.S. TIPS Index		1.9 24	-6.5 45	3.5 9	4.9 20	5.2 12	5.1 65				0.9 21
<b>SSgA World Gov't Bond Ex-U.S. Index (i)</b>	\$9	3.2 11	2.3 13	1.3 78	3.8 93		7.4 46		-0.6 98	0.1 99	0.5 96
CAI Mut Fd: Global Fixed Income Style											
Citi WGBI Non-U.S. Index		3.2 9	2.4 12	1.4 78	4.1 91	4.9 41	7.6 45				0.5 94
<b>U.S. Real Estate Investment Trust (i)</b>	\$24	10.2 14	4.0 48	10.0 35	28.2 29		22.7 20		-0.7 72	0.1 99	1.2 63
CAI Mut Fd: Real Estate Database											
U.S. Select REIT Index		10.3 9	4.3 35	10.3 23	28.9 14	1.9 54	22.8 20				1.3 43

Investment Manager	Market Value (\$mm)	Last Quarter Return	Last Year Return	3 Year Return	5 Year Return	7 Year Return	5 Year Risk	5 Year Risk Quadrant	5 Year Excess Rtn Ratio	3 Year Tracking Error	5 Year Sharpe Ratio
<b>BlackRock Govt/Credit Bond Fund (i)</b>	\$44	2.0 57	-0.4 67	4.1 60	4.9 89	4.9 58	3.9 46		-2.2 97	0.0 99	1.2 86
CAI Mut Fd: Core Bond Style											
Barclays Govt/Credit Bd		2.0 57	-0.3 57	4.2 47	5.1 82	5.1 52	3.9 46				1.3 86
<b>BlackRock Int. Govt Bond Fund (i)</b>	\$14	0.6 72	-0.9 64	2.2 53	2.2 85	4.0 57	2.8 44		-4.5 100	0.0 99	0.7 91
CAI MF: Intermediate Fixed Income Style											
Barclays Gov Inter		0.6 58	-0.8 62	2.4 51	2.3 84	4.1 52	2.8 44				0.8 90
<b>State Street Inst Trsry MM (i)</b>	\$38	0.0 100	0.0 100	0.0 100	0.0 78		0.0 73		-3.9 98	0.0 36	-12.0 75
Money Market Funds											
3-Month T-Bills		0.0 3	0.0 11	0.1 11	0.1 14	0.8 78	0.0 38				-1.0 21

Returns:  
 ■ above median  
 ■ third quartile  
 ■ fourth quartile

Risk:  
 ■ below median  
 ■ second quartile  
 ■ first quartile

Risk Quadrant:  


Excess Return Ratio:  
 ■ above median  
 ■ third quartile  
 ■ fourth quartile

Tracking Error:  
 ■ below median  
 ■ second quartile  
 ■ first quartile

Sharpe Ratio:  
 ■ above median  
 ■ third quartile  
 ■ fourth quartile

(i) – Indexed scoring method used. Green: manager & index differ by less than +/- 10 percentiles; Yellow: manager and index differ by +/- 20 percentiles; Red: manager & index differ by more than 20 percentiles.

# Major Activities 2014 YTD

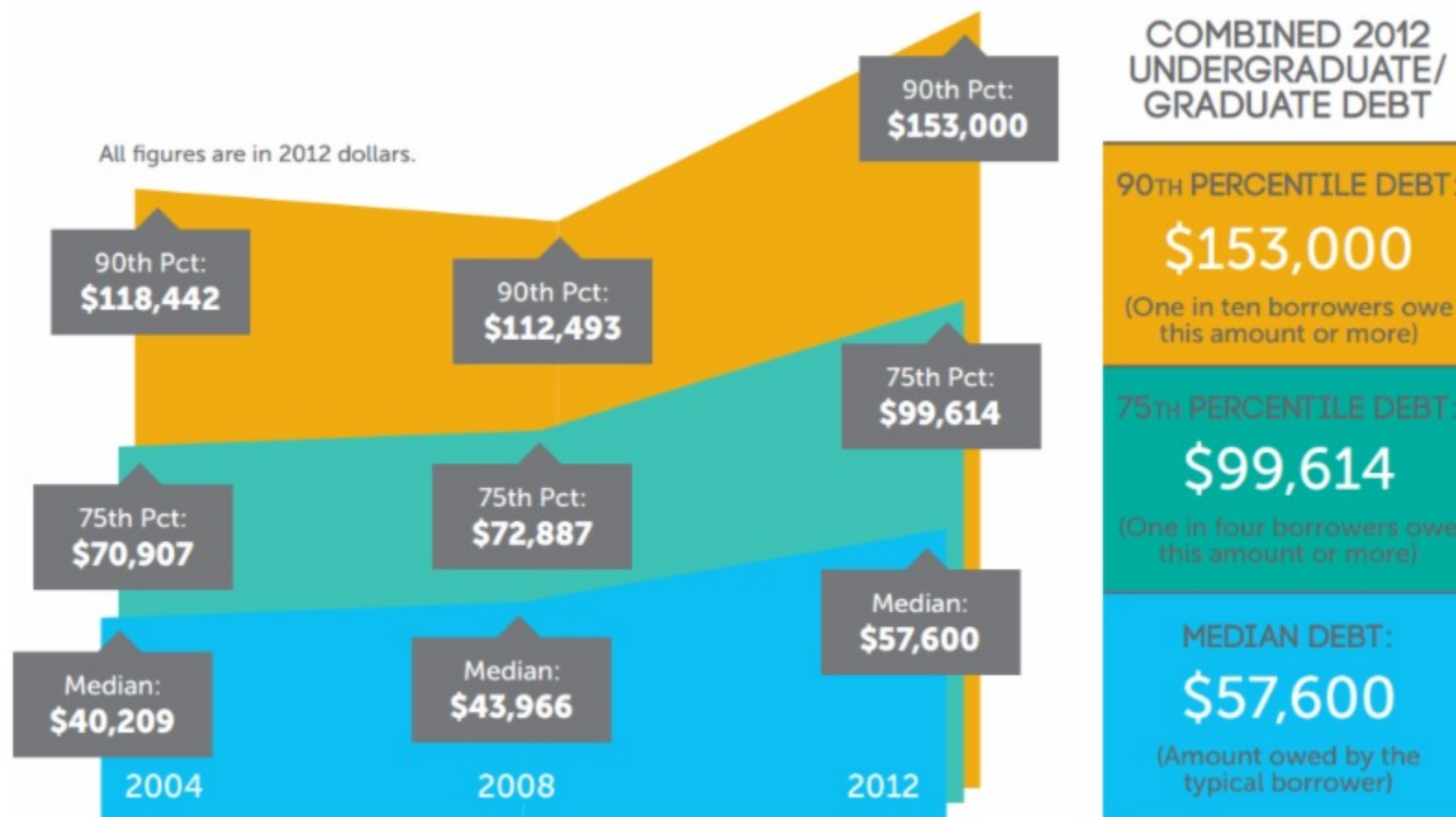
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- Asset Allocation Update
  - Developed ARMB specific expected returns & risk projections
  - Worked with staff & advisors to develop and evaluate alternative potential policy mixes
  - Participated with staff & IAC to discuss recommended policies for Board consideration
- Manager Reviews
  - Assisted staff by independently reviewing Pyramis Tactical Bond strategy
  - Met with following existing managers:
    - *Western Asset*
    - *Capital Guardian*
    - *Brandes*



# Post-graduate Student debt levels are growing

Total student debt exceeds \$1 trillion



Source: US Dept. of Education, New America Foundation, "The Graduate Student Debt Review," March 2014.

- According to the New America Foundation's report, there has been a surge in graduate student debt with those students receiving approximately 40 percent of recent federal loan disbursements.
- The full study is available at: <http://newamerica.net/sites/newamerica.net/files/policydocs/GradStudentDebtReview-Delisle-Final.pdf>

# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Convertible Fixed Income Guideline Change

ACTION: X

DATE: June 26-27, 2014

INFORMATION:                     

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## BACKGROUND:

The Alaska Retirement Management Board (ARMB) hired Advent Capital Management (Advent) in November 2009 to manage a portfolio of convertible fixed income securities on its behalf. ARMB Resolution 2009-28, most recently amended with ARMB Resolution 2012-24, provided a set of investment guidelines that govern the management of this portfolio.

The following passage from the guidelines restricts the purchase of non-rated securities.

*Non-rated convertible securities are permitted provided that the Manager is able to assign an appropriate credit rating consistent with the criteria used by the agencies stated above. Non-rated securities are limited to 35% of the total market value of the portfolio.*

## STATUS:

The proportion of the convertible bond market that is non-rated has increased substantially since the ARMB awarded this mandate to Advent, increasing from about 20% of the market to about 37% currently. Advent has requested that the restriction on holding non-rated securities be loosened, in recognition of this change, to allow for the greater of 35% or 1.5 times the proportion of its benchmark that is comprised of non-rated securities.

## RECOMMENDATION:

Approve Resolution 2014-11, amending the convertible fixed income investment guidelines as they relate to holding non-rated securities.

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Convertible Fixed Income Investment Guidelines

Resolution 2014-11

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in convertible fixed income securities; and

WHEREAS, the Board will establish and from time to time as necessary modify guidelines for convertible fixed income securities.

NOW THEREFORE BE IT RESOLVED, THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the Convertible Fixed Income Investment Guidelines attached hereto and made a part hereof, regarding investment in convertible fixed income securities. This resolution repeals and replaces Res 2012-24.

DATED at Anchorage, Alaska this \_\_\_\_\_ day of June, 2014.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

## **CONVERTIBLE FIXED INCOME AND PREFERRED STOCK GUIDELINES**

### **Investment Objectives**

The investment objective is to capture most of the performance of equities during rising markets, while outperforming equities in flat or down markets by investing in convertible securities. The Manager is expected to outperform the Merrill Lynch Yield Alternative Index (VYLD) ("Benchmark") over rolling 5-year periods net of fees by investing in U.S. and non-U.S. convertible securities. The manager may also hold cash. The manager may add value versus the Benchmark by 1) selecting convertible securities considered to be undervalued because of better-than-expected corporate fundamentals or other features of the particular issue; 2) over or under-weighting sectors relative to that of the Benchmark weights; 3) investing in privately placed convertible debt; 4) investing in non-U.S. convertible issues. The Manager is expected to maximize returns within reasonable and prudent levels of risk versus that of the Benchmark and to control costs of administering and managing the portfolio.

### **Securities Guidelines and Restrictions**

- The Manager is responsible for implementing and adhering to risk control processes as stated in its investment contract.
- The Manager may invest in investment or non-investment grade rated convertible securities, which include 1) convertible bonds; 2) convertible preferred stock; 3) bonds or preferred stock with warrants; and 4) zero- and low-coupon convertibles. The ratings for investment and non-investment grade credit ratings are as defined below:

	Investment Grade	Non-Investment Grade
Standard & Poors' (S&P)	BBB- or higher	BB+ or lower
Moody Investor Services	Baa3 or higher	Ba1 or lower
Fitch	BBB- or higher	BB+ or lower

In the case of a split rating by two or more of the rating agencies, the lower rating shall be utilized.

- Non-rated convertible securities are permitted provided that the Manager is able to assign an appropriate credit rating consistent with the criteria used by the agencies stated above. Non-rated securities **shall not exceed**

the greater of ~~are limited to~~ 35% of the total market value of the portfolio or 1.5x that of the exposure to non-rated securities in the Bank of America Merrill Lynch Yield Alternative Index (VYLD). Non-rated securities to which the Manager assigns a non-investment grade rating are subject to the below investment grade limitation.

- The weighted-average rating of the portfolio shall not fall below the S&P rating equivalent of B. The Manager shall not purchase any security with a credit rating at or below CCC- by S&P and C3 by Moody's. However, the Manager may continue to hold securities downgraded below CCC- by S&P and C3 by Moody's if, in the opinion of the Manager, such an investment is considered appropriate given the ARMB's investment objective.
- Common shares obtained as a result of conversion must be liquidated within 20 trading days after conversion. This period may be extended upon approval by the Chief Investment Officer.
- The Manager shall not purchase any security, which would cause more than 5% of the portfolio assets at market at the time of purchase to be invested in the securities of any one issuer.
- The Manager shall not purchase any security, which would cause more than 25% of the invested assets at market to be invested in securities of issuers primarily engaged in any one industry.
- The Manager shall not purchase the securities of a company for the purpose of acquiring control or management thereof.
- The Manager shall not purchase shares of mutual funds or commingled vehicles.
- The Manager shall not make short sales of securities or maintain a short position, nor purchase securities on margin.
- The Manager is not permitted to lend or pledge securities in the account.
- Non-US securities are permitted provided that the security is dollar denominated. These securities are limited to 25% of the portfolio at market. Issuers included in the Merrill Lynch US All Convertible Index

(VXA0) will be considered domestic/US for purposes of the account restrictions.

- The use of derivative securities including (but not limited to), futures, options, & swaps is prohibited.

Any changes deemed necessary by the Chief Investment Officer or Manager will be fully discussed and agreed upon by both before taking effect. Any such changes will then be incorporated in writing into the Guidelines.

## **ALASKA RETIREMENT MANAGEMENT BOARD**

SUBJECT: Amending ARMB Delegation of Authority  
Resolution 2014-12

ACTION: X

DATE: June 26, 2014

INFORMATION:           

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### **BACKGROUND:**

At its April 2014 meeting, ARMB granted the CIO discretion to contract with current investment managers in good standing with ARMB up to \$200 million per single investment.

This authority includes entering into investment contracts, limited partnerships and commingled funds as well as entering into joint venture investment relationships with current investment managers in all asset classes, consistent with the guidelines respective to that asset class.

While the Board approved the action item, it also indicated a desire for staff to bring the item back to the Board in the form of a resolution and consider whether a larger cap, and/or a cap based on a percentage of assets, would be a better policy.

### **STATUS**

Resolution 2014-12 revises the Delegation of Investment Authority to incorporate the expanded investment discretion approved during the April 2014 Board meeting except that instead of a fixed \$200 million amount per single investment the discretion would be one percent of total defined benefit plan assets per single investment.

Moving to a percentage based cap will result in an increase or decrease in this authority over time as the total amount of defined benefit assets change. At one percent, this authority will approximate the \$200 million fixed authority granted at the April board meeting as ARMB's total defined benefit plan assets are currently \$20.6 billion. This level of discretion will be sufficient to facilitate investment of the new funds.

### **RECOMMENDATION:**

The Alaska Retirement Management Board adopt Resolution 2014-12, modifying the Delegation of Investment Authority to grant the Chief Investment Officer authority to contract with current ARMB investment managers in good standing in amounts up to one percent of total ARMB defined benefit assets per single investment.

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State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Delegation of Authority

Resolution ~~2014-12~~~~2012-18~~

WHEREAS AS 37.10.210 established the Alaska Retirement Management Board (Board) to provide prudent and productive management and investment of trusts or other State funds; and

WHEREAS the Board shall establish investment policies for the funds for which it is responsible; and

WHEREAS the Board shall select and retain certain external and internal money managers; and

WHEREAS the Board may contract certain services to carry out its powers and duties; and

WHEREAS AS 37.10.260(a) establishes that the Department of Revenue shall provide staff for the Board; and

WHEREAS AS 37.10.260(b) authorizes the Board of Trustees to be responsible for designating a trustee or an officer or an employee of the Department of Revenue to sign on behalf of the Board any deed, contract, or other document that must be executed by or on behalf of the Board;

NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, as follows: (1) To expedite business between meetings, either the Chairman or the Secretary of the Board is authorized to sign all deeds, contracts or other documents. All documents so signed shall be effective immediately but shall be presented to the Board at the succeeding meeting for Board information. (2) The Board will delegate to the Chief Investment Officer, or his designee, certain powers noted in the attachment entitled "Delegation Investment Authority." (3) This resolution repeals and replaces Resolution ~~2012-18~~~~2010-21~~.

DATED at Anchorage, Alaska this \_\_\_\_\_ day of June, ~~2014~~~~2012~~.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary



## Delegation of Investment Authority

Pursuant to Resolution ~~2014-122012-18~~, the Chief Investment Officer (CIO) of the Department of Revenue is hereby authorized to commit, bind, and obligate the State of Alaska for transactions for all funds under the Alaska Retirement Management Board's management, consistent with actions and directions from the Board. The CIO is not authorized to significantly alter credit quality or duration parameters of any portfolios without prior approval from the Board or its designee.

The CIO is authorized to open an account or accounts with one or more firms or financial institutions for the purpose of engaging in transactions to purchase, sell, assign, or transfer the assets, or to otherwise enter into agreements, contracts, commitments or similar arrangements, including for cash or forward settlement or futures or options contracts relating to the investment of the above funds.

The CIO is authorized to execute those transactions, and in connection therewith to deliver securities and monies, to sign and deliver agreements, contracts, commitments and confirmations and other necessary, desirable or customary documents. Other parties to the transactions may rely and act upon any verbal or written orders and instructions from him in connection with such accounts and transactions.

The CIO is further authorized to delegate the above responsibilities to other individuals. The Board shall be notified at the next meeting as to which individuals have received such delegation.

With respect to security transactions for all funds, including funds other than fixed income portfolio, the CIO is authorized to adjust asset allocation within Board approved parameters. All asset allocation adjustments, with a complete explanation for the action, must be reported to the Board at the next meeting. The CIO will also be required to submit quarterly reports to the Board discussing market conditions, performance, and portfolio conditions.

The CIO is authorized to contract with current ARMB investment managers in good standing in amounts up to one percent of total ARMB defined benefit assets per single investment. This authority includes —investment contracts, limited partnerships, commingled funds and joint venture investment relationships with current investment managers in all asset classes, in a manner consistent with the Board approved Investment Guidelines.

The CIO is authorized to approve investment manager requests to name ARMB in publications or written materials.

In the CIO's absence, responsibilities may be delegated to a senior investment officer, who will assume the CIO's delegated investment authority.

State of Alaska

ALASKA RETIREMENT MANAGEMENT BOARD

Addendum to Delegation of Authority Resolution ~~2014-12~~~~2012-18~~

Alaska Retirement Management Board Resolution ~~2014-12~~~~2012-18~~ delegates certain responsibilities to the Chief Investment Officer (CIO). The Chief Investment Officer is Gary M. Bader and his specimen signature follows.

Chief Investment Officer:

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Gary M. Bader

Effective the ~~26<sup>th</sup>~~~~22<sup>nd</sup>~~ day of June, ~~2014~~~~2012~~

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Gail Schubert, Chair, Alaska Retirement Management Board

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Delegation of Authority

Resolution 2014-12

WHEREAS AS 37.10.210 established the Alaska Retirement Management Board (Board) to provide prudent and productive management and investment of trusts or other State funds; and

WHEREAS the Board shall establish investment policies for the funds for which it is responsible; and

WHEREAS the Board shall select and retain certain external and internal money managers; and

WHEREAS the Board may contract certain services to carry out its powers and duties; and

WHEREAS AS 37.10.260(a) establishes that the Department of Revenue shall provide staff for the Board; and

WHEREAS AS 37.10.260(b) authorizes the Board of Trustees to be responsible for designating a trustee or an officer or an employee of the Department of Revenue to sign on behalf of the Board any deed, contract, or other document that must be executed by or on behalf of the Board;

NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, as follows: (1) To expedite business between meetings, either the Chairman or the Secretary of the Board is authorized to sign all deeds, contracts or other documents. All documents so signed shall be effective immediately but shall be presented to the Board at the succeeding meeting for Board information. (2) The Board will delegate to the Chief Investment Officer, or his designee, certain powers noted in the attachment entitled "Delegation Investment Authority." (3) This resolution repeals and replaces Resolution 2012-18.

DATED at Anchorage, Alaska this \_\_\_\_\_ day of June, 2014.

\_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

## Delegation of Investment Authority

Pursuant to Resolution 2014-12, the Chief Investment Officer (CIO) of the Department of Revenue is hereby authorized to commit, bind, and obligate the State of Alaska for transactions for all funds under the Alaska Retirement Management Board's management, consistent with actions and directions from the Board. The CIO is not authorized to significantly alter credit quality or duration parameters of any portfolios without prior approval from the Board or its designee.

The CIO is authorized to open an account or accounts with one or more firms or financial institutions for the purpose of engaging in transactions to purchase, sell, assign, or transfer the assets, or to otherwise enter into agreements, contracts, commitments or similar arrangements, including for cash or forward settlement or futures or options contracts relating to the investment of the above funds.

The CIO is authorized to execute those transactions, and in connection therewith to deliver securities and monies, to sign and deliver agreements, contracts, commitments and confirmations and other necessary, desirable or customary documents. Other parties to the transactions may rely and act upon any verbal or written orders and instructions from him in connection with such accounts and transactions.

The CIO is further authorized to delegate the above responsibilities to other individuals. The Board shall be notified at the next meeting as to which individuals have received such delegation.

With respect to security transactions for all funds, including funds other than fixed income portfolio, the CIO is authorized to adjust asset allocation within Board approved parameters. All asset allocation adjustments, with a complete explanation for the action, must be reported to the Board at the next meeting. The CIO will also be required to submit quarterly reports to the Board discussing market conditions, performance, and portfolio conditions.

The CIO is authorized to contract with current ARMB investment managers in good standing in amounts up to one percent of total ARMB defined benefit assets per single investment. This authority includes investment contracts, limited partnerships, commingled funds and joint venture investment relationships with current investment managers in all asset classes, in a manner consistent with the Board approved Investment Guidelines.

The CIO is authorized to approve investment manager requests to name ARMB in publications or written materials.

In the CIO's absence, responsibilities may be delegated to a senior investment officer, who will assume the CIO's delegated investment authority.

State of Alaska

ALASKA RETIREMENT MANAGEMENT BOARD

Addendum to Delegation of Authority Resolution 2014-12

Alaska Retirement Management Board Resolution 2014-12 delegates certain responsibilities to the Chief Investment Officer (CIO). The Chief Investment Officer is Gary M. Bader and his specimen signature follows.

Chief Investment Officer:

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Gary M. Bader

Effective the 26<sup>th</sup> day of June, 2014

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Gail Schubert, Chair, Alaska Retirement Management Board

# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Asset Allocations – Amended Target Bands  
Resolution 2014-13

ACTION: X

DATE: June 26, 2014

INFORMATION:                     

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## BACKGROUND:

The Alaska Retirement Management Board (Board) sets and reviews the asset allocations on behalf of all plans over which it has fiduciary responsibility. This process incorporates five-year capital market assumptions, board goals, actuarial assumptions, and other factors.

## STATUS:

At the April 2014 meeting, the Board approved Resolution 2014-07 which set the fiscal year 2015 asset allocations for the following plans:

Public Employees', Teachers' and Judicial Retirement Systems  
Public Employees', Teachers', and Judicial Retirement Health Trust Funds  
Retiree Major Health Insurance Fund  
Health Reimbursement Arrangement Fund  
PERS Peace Officers/Firefighters Occupational Death & Disability Fund  
PERS, TRS, All Other Death & Disability Fund

Subsequent to the April meeting, the Alaska State Legislature approved a \$3 billion contribution to the Public Employees' Retirement System and Teachers' Retirement System. As a result of the inflow, the bands around the target asset allocations for Cash, Fixed Income and Alternative Equity Strategies should be increased due to the delayed ability to invest in the illiquid asset classes. The proposed changes to the bands are reflected in the table below. The approved asset allocations and bands for the other asset classes are unchanged.

Asset Class	Existing FY15 Asset Allocation	Revised FY15 Asset Allocation	Proposed Change in FY15 Asset Allocation
Fixed Income	12% +/-5%	12% +/-8%	Increase band by +/-3%
Alternative Equity Strategies	3% +/-2%	3% +4%/-2%	Increase band by +2%
Cash	3% +1/-3%	3% +8%/-3%	Increase band by +7%

## RECOMMENDATION:

The Alaska Retirement Management Board adopt Resolution 2014-13, approving the amended asset allocation target ranges for fiscal year 2015.

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Asset Allocation  
For the Public Employees', Teachers' and Judicial Retirement Systems  
Public Employees', Teachers', and Judicial Retirement Health Trust Funds  
Retiree Major Health Insurance Fund  
Health Reimbursement Arrangement Fund  
PERS Peace Officers/Firefighters Occupational Death & Disability Fund  
PERS, TRS, All Other Death & Disability Fund

Resolution 2014-13

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee of the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policies for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, the Board contracts an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Board has reviewed the actuarial assumptions; and

WHEREAS, the Board has reviewed the asset allocation set forth in the study prepared by the external investment consulting firm of Callan Associates, Inc.; and

WHEREAS, a prudent, diversified portfolio reduces risk and volatility and considers short term and long term earnings requirements for the Funds; and

WHEREAS, the Board shall continue to review, evaluate and make appropriate adjustments to asset allocation for the retirement plans on a periodic basis;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD that the following asset allocation be established for the Public Employees', Teachers' and Judicial Retirement Systems; Public Employees', Teachers', and Judicial Retirement Health Trust Funds; Retiree Major Health Insurance Fund; Health Reimbursement Arrangement Fund; PERS Peace Officers/Firefighters Occupational Death & Disability Fund; and the PERS, TRS, All Other Death & Disability Fund, effective July 1, 2014:

### Target Asset Allocation

<u>Asset class</u>	<u>Allocation</u>	<u>Range</u>
Broad Domestic Equity	26%	± 6%
Global Equity Ex-US	25%	± 4%
Private Equity	9%	± 5%
Real Assets	17%	± 8%
Absolute Return	5%	± 4%
Fixed Composite	12%	± 8%
Alternative Equity Strategies	3%	− 2%/+4%
<u>Cash Equivalents</u>	<u>3%</u>	− 3%/+8%
Total	100%	

Projected Arithmetic Return	8.09%
Expected Return – 5-Year Geometric Mean	7.22%
Projected Standard Deviation	15.01%

This resolution repeals and replaces Resolution 2014-07.

DATED at Anchorage, Alaska this \_\_\_\_ day of June, 2014.

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Chair

ATTEST:

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Secretary



# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Consultant Manager Searches

ACTION: X

DATE: June 26, 2014

INFORMATION:           

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## BACKGROUND:

The Alaska Retirement Management Board (ARMB) has a number of challenges to address in its work, but two stand out: 1) investing in an interest rate environment where the ten year treasury bond is yielding 2.6%, while the board has adopted a long term earnings assumption of 8%, and 2) investing an additional \$3 billion in the system when the public equity markets are near historical highs.

## STATUS:

Many investment professionals believe the low interest rate environment will eventually fade and interest rates will begin to rise. If interest rates remain low for a long period of time, the board will have difficulty achieving its long term earnings assumption without reliance on equity markets. If interest rates rise, the current fixed income strategy will likely suffer some impairment.

Public equity markets as exemplified by the Dow Jones Industrial Average have risen at an annualized rate of about 21% since March of 2009. Without an improvement in economic news, it is unlikely this pace can be sustained and the possibility of a correction in the market exists.

Staff will be looking at a variety of investment strategies to address the above concerns. The board has authorized staff to invest in additional investment options with current managers in good standing however, in some instances, staff feels the board would be well served with an additional strategy review by the general consultant.

## RECOMMENDATION:

The Alaska Retirement Management Board authorize the Chief Investment Officer to engage the services of the board's general consultant or real estate consultant for manager searches.

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## ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Termination of Cornerstone Real Estate  
Advisers LLC and transfer of Assets and  
Remaining Commitment

ACTION:     X    

DATE: June 26, 2014

INFORMATION:           

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### BACKGROUND:

Cornerstone Real Estate Advisers LLC was hired as a core real estate separate account manager in 2003 with an initial allocation of \$100 million. Over time, the allocation increased to \$175 million. Cornerstone's current portfolio for ARMB is valued at \$123.3 million as of March 31, 2014. The portfolio contains two assets: a \$76.4 million office building in Glendale, CA and a \$45.3 million apartment property in Stamford, CT. Cornerstone also has a remaining allocation of \$54.3 million which it could use to make additional investments on behalf of ARMB.

### STATUS

A proposed portfolio manager change by Cornerstone has caused staff to reflect on ARMB's separate account structure and consider improvements.

When Cornerstone was hired in 2003 they were given an allocation to make new investments but they were also expected to takeover value-add assets that had improved to core status. This program never developed as ASPIB changed its value-add strategy from separate accounts to closed-end commingled funds. The growth in the Cornerstone portfolio has never materialized as initially conceived. Additionally, Cornerstone used its allocation to invest in large assets so the number of assets in the portfolio has always been small.

It is important to have manager diversification but also to establish investment mandates that are large enough to attract the highest talent within the investment management firms. Having investment mandates that are too small can also create portfolio management friction as it impairs relative value and diversification decisions at the aggregate level.

Given the size of ARMB's current portfolio, and the proposed portfolio manager change within Cornerstone, staff believes now is a good time to optimize ARMB's core separate account portfolio and focus this strategy with three managers instead of four. Staff's proposed changes to the core separate account portfolio structure are as follows:

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(\$ in millions)

Manager	Action	Pre-Action # of Assets	Post-Action # of Assets	Pre-Action NAV	Post-Action NAV	Pre-Action Remaining Commitment	Post-Action Remaining Commitment
Cornerstone	Terminate	2	0	\$123.3	\$0	\$54.3	\$0
UBS	Transfer \$76.4 million office asset to UBS	11	12	\$307.5	\$383.9	\$41.4	\$41.4
LaSalle	Transfer \$54.3 million Remaining Commitment to LaSalle	4	4	\$184.1	\$184.1	\$85.6	\$139.9
Sentinel	Transfer \$45.3 million apartment property to Sentinel	3	4	\$156.8	\$202.1	\$2.2	\$2.2

The apartment asset would be transferred to Sentinel as they are an apartment focused separate account manager. LaSalle already has a large office asset which skews the performance of that portfolio so it is more attractive to move the office asset to UBS and transfer the remaining allocation to LaSalle.

#### RECOMMENDATION:

The Alaska Retirement Management Board terminate Cornerstone Real Estate Advisers LLC as a core separate account manager and transfer the assets and remaining commitment to ARMB's other separate account advisors in a manner that staff determines will produce the best result.

# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: ARMB Consultant Review

ACTION: X

DATE: June 26, 2014

INFORMATION:                     

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## BACKGROUND:

AS 37.10.220(a)(11) provides that the Alaska Retirement Management Board (Board) shall contract for an independent audit of the state's performance consultant not less than once every four years. Callan Associates Inc. (Callan) has been the general consultant for the Board since its inception in October of 2005. Independent Fiduciary Services (IFS) performed an audit of Callan and presented its report to the Board on December 2, 2010. The report provided recommendations for improving the clarity and understanding of various performance reports, benchmarks and guidelines, but found no substantive issues with Callan's service and work product.

## STATUS:

Given the four year statutory requirement for the performance consultant audit, it is appropriate to have an RFP prepared and issued for the audit to be completed and reported to the Board at its December 2014 meeting.

## RECOMMENDATION:

That the Board direct staff to prepare an RFP for an independent audit of the state's performance consultant as required by AS37.10.220(a)(11).

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# LAWS OF ALASKA

2014

**Source**  
SCS HB 385(FIN)

**Chapter No.**  
\_\_\_\_\_

## AN ACT

Relating to the past service liabilities of the defined benefit plan in the teachers' retirement system and the defined benefit plan in the public employees' retirement system, and to excess assets of those plans on termination of the plans; and providing for an effective date.

\_\_\_\_\_  
**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

THE ACT FOLLOWS ON PAGE 1



## AN ACT

1 Relating to the past service liabilities of the defined benefit plan in the teachers' retirement  
2 system and the defined benefit plan in the public employees' retirement system, and to excess  
3 assets of those plans on termination of the plans; and providing for an effective date.

4 \_\_\_\_\_  
5 \* **Section 1.** AS 14.25.181(b) is amended to read:

6 (b) If, upon termination of the plan, all liabilities are satisfied, any excess  
7 assets shall **be deposited in the general fund**, [REVERT TO THE EMPLOYERS AS  
8 DETERMINED BY THE ADMINISTRATOR] subject to the approval of the  
9 termination by the Internal Revenue Service.

10 \* **Sec. 2.** AS 37.10.220(a) is amended to read:

11 (a) The board shall  
12 (1) hold regular and special meetings at the call of the chair or of at  
13 least five members; meetings are open to the public, and the board shall keep a full

1 record of all its proceedings;

2 (2) after reviewing recommendations from the Department of  
3 Revenue, adopt investment policies for each of the funds entrusted to the board;

4 (3) determine the appropriate investment objectives for the defined  
5 benefit plans established under the teachers' retirement system under AS 14.25 and the  
6 public employees' retirement system under AS 39.35;

7 (4) assist in prescribing the policies for the proper operation of the  
8 systems and take other actions necessary to carry out the intent and purpose of the  
9 systems in accordance with AS 37.10.210 - 37.10.390;

10 (5) provide a range of investment options and establish the rules by  
11 which participants can direct their investments among those options with respect to  
12 accounts established under

13 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system  
14 defined contribution individual accounts);

15 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary  
16 Annuity Plan);

17 (C) AS 39.35.730 - 39.35.750 (public employees' retirement  
18 system defined contribution individual accounts); and

19 (D) AS 39.45.010 - 39.45.060 (public employees' deferred  
20 compensation program);

21 (6) establish the rate of interest that shall be annually credited to each  
22 member's individual contribution account in accordance with AS 14.25.145 and  
23 AS 39.35.100 and the rate of interest that shall be annually credited to each member's  
24 account in the health reimbursement arrangement plan under AS 39.30.300 -  
25 39.30.495; the rate of interest shall be adopted on the basis of the probable effective  
26 rate of interest on a long-term basis, and the rate may be changed from time to time;

27 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

28 (8) coordinate with the retirement system administrator to have an  
29 annual actuarial valuation of each retirement system prepared to determine system  
30 assets, accrued liabilities, and funding ratios and to certify to the appropriate  
31 budgetary authority of each employer in the system



1 (A) an appropriate contribution rate for normal costs; and

2 (B) an appropriate contribution rate for liquidating any past  
3 service liability; **in this subparagraph, the appropriate contribution rate**  
4 **for liquidating the past service liability of the defined benefit retirement**  
5 **plan under AS 14.25.009 - 14.25.220 or the past service liability of the**  
6 **defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be**  
7 **determined by a level percent of pay method based on amortization of the**  
8 **past service liability for a closed term of 25 years;**

9 (9) review actuarial assumptions prepared and certified by a member  
10 of the American Academy of Actuaries and conduct experience analyses of the  
11 retirement systems not less than once every four years, except for health cost  
12 assumptions, which shall be reviewed annually; the results of all actuarial assumptions  
13 prepared under this paragraph shall be reviewed and certified by a second member of  
14 the American Academy of Actuaries before presentation to the board;

15 (10) contract for an independent audit of the state's actuary not less  
16 than once every four years;

17 (11) contract for an independent audit of the state's performance  
18 consultant not less than once every four years;

19 (12) obtain an external performance review to evaluate the investment  
20 policies of each fund entrusted to the board and report the results of the review to the  
21 appropriate fund fiduciary;

22 (13) by the first day of each regular legislative session, report to the  
23 governor, the legislature, and the individual employers participating in the state's  
24 retirement systems on the financial condition of the systems in regard to

25 (A) the valuation of trust fund assets and liabilities;

26 (B) current investment policies adopted by the board;

27 (C) a summary of assets held in trust listed by the categories of  
28 investment;

29 (D) the income and expenditures for the previous fiscal year;

30 (E) the return projections for the next calendar year;

31 (F) one-year, three-year, five-year, and 10-year investment

1 performance for each of the funds entrusted to the board; and  
2 (G) other statistical data necessary for a proper understanding  
3 of the financial status of the systems;  
4 (14) submit quarterly updates of the investment performance reports to  
5 the Legislative Budget and Audit Committee;  
6 (15) develop an annual operating budget; and  
7 (16) administer pension forfeitures required under AS 37.10.310 using  
8 the procedures of AS 44.62 (Administrative Procedure Act).

9 \* **Sec. 3.** AS 39.35.115(e) is amended to read:

10 (e) If, upon termination of the plan, all liabilities are satisfied, any excess  
11 assets shall **be deposited in the general fund** [REVERT TO THE EMPLOYERS AS  
12 DETERMINED BY THE ADMINISTRATOR], subject to the approval of the  
13 termination by the Internal Revenue Service.

14 \* **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to  
15 read:

16 TRANSITION: REINITIALIZE AMORTIZATION OF PAST SERVICE LIABILITY  
17 OF RETIREMENT SYSTEMS. The Alaska Retirement Management Board shall, based on a  
18 level percent of pay method, reinitialize the amortization of the past service liability of

19 (1) the defined benefit retirement plan under AS 14.25.009 - 14.25.220 for a  
20 term beginning July 1, 2014, and ending June 30, 2039;

21 (2) the defined benefit retirement plan under AS 39.35.095 - 39.35.680 for a  
22 term beginning July 1, 2014, and ending June 30, 2039.

23 \* **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to  
24 read:

25 RETROACTIVITY. Sections 2 and 4 of this Act are retroactive to April 21, 2014.

26 \* **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

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SLA 2013, page 17, line 9 (Office of the Governor, commissions/special offices - \$2,585,600), sec. 1, ch. 14, SLA 2013, page 17, line 11 (Office of the Governor, executive operations - \$19,214,100), sec. 1, ch. 14, SLA 2013, page 17, lines 22 - 23 (Office of the Governor, Office of the Governor state facilities rent - \$1,221,800), sec. 1, ch. 14, SLA 2013, page 17, line 27 (Office of the Governor, office of management and budget - \$2,902,100), and sec. 1, ch. 14, SLA 2013, page 17, line 30 (Office of the Governor, elections - \$4,289,000) are reappropriated to the Office of the Governor for costs associated with the capitol remodel project, information technology, and security improvements.

\* **Sec. 44. REAPPROPRIATION OF LEGISLATIVE APPROPRIATIONS.** The unexpended and unobligated balances of the following appropriations are reappropriated to the Alaska Legislature, Legislative Council, for the seismic retrofit and exterior restoration project for the capitol:

(1) sec. 1, ch. 14, SLA 2013, page 42, line 10 (Alaska Legislature, Budget and Audit Committee - \$19,615,100);

(2) sec. 1, ch. 14, SLA 2013, page 42, line 14 (Alaska Legislature, Legislative Council - \$32,070,200);

(3) sec. 1, ch. 14, SLA 2013, page 42, line 24 (Alaska Legislature, legislative operating budget - \$22,522,900);

(4) sec. 1, ch. 12, SLA 2009, page 44, line 29, as amended by sec. 56(b), ch. 43, SLA 2010, and sec. 52(a), ch. 5, FSSLA 2011 (Alaska Legislature, Legislative Council, mine development study); and

(5) sec. 2, ch. 14, SLA 2013, page 44, lines 16 - 20 (HB 30, state agency performance audits, Alaska Legislature, Budget and Audit Committee, Legislative Audit - \$642,300).

\* **Sec. 45. RETIREMENT SYSTEM FUNDING; CONSTITUTIONAL BUDGET RESERVE FUND.** (a) The sum of \$1,000,000,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution for the fiscal year ending June 30, 2015.

(b) The sum of \$2,000,000,000 is appropriated from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) to the Department of Administration for deposit

1 in the defined benefit plan account in the teachers' retirement system as an additional state  
2 contribution for the fiscal year ending June 30, 2015.

3 (c) The appropriations made in (a) and (b) of this section are made under art. IX, sec.  
4 17(c), Constitution of the State of Alaska.

5 (d) It is the intent of the legislature that the Alaska Retirement Management Board  
6 and the Department of Administration direct the plans' actuary to eliminate the two-year rate-  
7 setting lag in the public employees' retirement system and the teachers' retirement system  
8 actuarial valuations.

9 (e) It is the intent of the legislature that the Alaska Retirement Management Board  
10 and the Department of Administration direct the plans' actuary to eliminate asset value  
11 smoothing from the public employees' retirement system and the teachers' retirement system  
12 actuarial valuations.

13 \* **Sec. 46.** UNIVERSITY OF ALASKA. The unexpended and unobligated balance, not to  
14 exceed \$50,000,000, of the appropriation made in sec. 2, ch. 15, SLA 2012, page 48, lines 10  
15 - 16, as amended by sec. 26(b), ch. 16, SLA 2013 (SB 25, AIDEA: sustainable energy/interest  
16 rate, fund capitalization, AIDEA sustainable energy transmission and supply development  
17 fund - \$125,000,000) is reappropriated to the University of Alaska for design and construction  
18 of the Fairbanks campus combined heat and power plant.

19 \* **Sec. 47.** LAPSE EXTENSION. That portion of the appropriation made in sec. 1, ch. 14,  
20 SLA 2013, page 42, line 14, and allocated on page 42, line 17 (Alaska Legislature, Legislative  
21 Council, councils and subcommittees - \$1,608,900) that was directed to the Alaska Arctic  
22 Policy Commission lapses June 30, 2015.

23 \* **Sec. 48.** LAPSE. (a) The appropriations made in secs. 11(a), 11(c), 12, 15(a), 15(b), 16(b),  
24 18(e), 26, 29, 30, 31(a) - (d), 32, 33(d), 35(e), 36(c), 36(d), 36(f) - (h), 36(j), 36(o), 37(a),  
25 37(c), 37(e), 37(h), 38(a) - (d), 40(a), 40(b), 40(e), 40(f), 40(h), 40(k) - (o), 41(b), 42(c) - (f),  
26 43, 44, and 46 of this Act are for capital projects and lapse under AS 37.25.020.

27 (b) The appropriations made in secs. 18(b), 18(c), 18(f), 21, 22, 25(1), and 45 of this  
28 Act are for the capitalization of funds and do not lapse.

29 (c) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a  
30 capital project and lapses under AS 37.25.020 unless designated for a specific fiscal year.

31 \* **Sec. 49.** CONTINGENCIES. (a) The appropriations made in secs. 10(a) and 21(c) of this

1 Act are contingent on passage by the Twenty-Eighth Alaska State Legislature and enactment  
2 into law of a bill creating the Alaska liquefied natural gas project fund.

3 (b) The appropriation made in sec. 10(b) of this Act is contingent on passage by the  
4 Twenty-Eighth Alaska State Legislature and enactment into law of a bill requiring the Alaska  
5 Energy Authority to plan and make recommendations to the legislature on infrastructure  
6 needed to deliver affordable energy to areas in the state that do not have direct access to a  
7 North Slope natural gas pipeline.

8 (c) The appropriation made in sec. 13(b) of this Act is contingent on passage by the  
9 Twenty-Eighth Alaska State Legislature and enactment into law of a bill requiring  
10 development of requisite conversion factors associated with a new workers' compensation  
11 medical fee schedule.

12 (d) The appropriation made in sec. 14(c) of this Act is contingent on the execution of  
13 an agreement to share the cost of interim remedial actions to protect the health, safety, and  
14 welfare of the people in the North Pole area by the state, Flint Hills Resources Alaska, LLC,  
15 and Williams Alaska Petroleum, Inc.

16 (e) The appropriation made in sec. 29 of this Act is contingent on passage by the  
17 Twenty-Eighth Alaska State Legislature and enactment into law of a bill authorizing payment  
18 of administration costs of the Alaska education grant program from the Alaska higher  
19 education investment fund (AS 37.14.750).

20 (f) The appropriations made in sec. 45 of this Act are contingent on passage by the  
21 Twenty-Eighth Alaska State Legislature and enactment into law of a version of House Bill  
22 No. 385.

23 \* **Sec. 50.** Sections 4, 7, 10 - 12, 13(b), 14 - 23, and 49(a) - (d) of this Act take effect  
24 April 20, 2014.

25 \* **Sec. 51.** Sections 13(a), 27, 30, 31(a) - (d), 32 - 44, 46, and 47 of this Act take effect  
26 June 30, 2014.

27 \* **Sec. 52.** Except as provided in secs. 50 and 51 of this Act, this Act takes effect July 1,  
28 2014.



# State of Alaska Retirement Systems

***Recommended Procedures for Implementation of  
Funding Method Changes under HB 385/SB 119***

***June 26, 2014***

# Current Statutory Contribution Structure and ARMB Funding Policy

- Employers contribute to plans for DB and DCR members based on the DCR fixed rate and actuarially determined contribution adopted by the ARMB up to a capped rate under statutes for DB
  - PERS employer rate capped at 22% of total payroll
  - TRS employer rate capped at 12.56% of total payroll
- State makes additional contributions to PERS and TRS DB plans needed to meet the actuarially determined contribution rate adopted by the ARMB
- Actuarial funding adopted by ARMB determined by
  - Entry Age cost method to determine normal cost and liability
  - Actuarial value of assets using 5 year smoothing and 80% - 120% corridor around fair value of assets
  - Unfunded liability is amortized on a level dollar basis. Bases are determined each year since initialized in 2002 and each base is amortized over a closed 25 year period



# Funding Method Changes to PERS and TRS

- Additional State funding appropriated for FY15 under SB 119
  - State will transfer \$3.0 billion from the Constitutional Budget Reserve to PERS and TRS in FY15.
    - \$1.0 billion allocated to PERS
    - \$2.0 billion allocated to TRS
  - Intent of the Legislature (non-binding) to eliminate the two-year rate setting lag for PERS and TRS
  - Intent of the Legislature (non-binding) to eliminate asset smoothing methodology from the actuarial valuations of PERS and TRS
- Methodology for amortizing the unfunded past service liability is changed under HB 385
  - Amortization period is changed to a closed 25 year period
  - Amount of amortization payment is determined as a level percentage of payroll
  - Effective immediately, to be applied in the June 30, 2014 actuarial valuations

# Implementing the Funding Method Changes

- Funding method changes will be made effective with the June 30, 2014 actuarial valuations of PERS and TRS
- Contribution rates for FY15 already set given Employer capped rates and State appropriation under SB 119
  - State appropriation of \$1 billion to PERS exceeds FY15 recommended amount of \$519.4 million
  - State appropriation of \$2 billion to TRS exceeds FY15 recommended amount of \$455.9 million
- Contribution rates for FY16 are to be calculated under the changes in funding methods described in HB 385 and SB 119
  - OMB is requesting rates by November 7<sup>th</sup> for budgeting purposes
  - 2014 actuarial valuations will not be completed yet
  - Audited fund balances for FY14 may or may not be available
  - Investment rates of return for FY14 are expected by Sept. 30th

# Recommended Implementation Procedure for Funding Method Changes

- Legislative intent to eliminate the 2-year contribution rate lag
  - Buck recommends using the most current information possible to meet the November 7<sup>th</sup> budget deadline. This will include audited fund balances as of June 30, 2014 if available, and if not, roll forward fund balances from June 30, 2013 to June 30, 2014 using investment rates of return reported for FY14.
  - Then use roll-forward valuations of assets and liabilities projected to June 30, 2015 to develop contribution rates for FY16
    - Accrued liabilities calculated by the 2013 actuarial valuation will be rolled forward 2 years to June 30, 2015
    - Fund balances as of June 30, 2014 will be rolled forward one year to June 30, 2015 assuming the expected rate of return of 8%
    - Contribution rates will be determined for FY16 using:
      - Projected employer normal cost for FY16
      - Amortization of the projected unfunded liability at June 30, 2015 over 24 remaining years as a level percentage of expected FY16 payroll
      - Contribution rates will be determined based on FY16 projected total payroll and the State assistance contribution as an amount for FY16.

# Recommended Implementation Procedure for Funding Method Changes (continued)

- Legislative intent to eliminate asset smoothing
  - Asset smoothing over 5 years is currently used by the ARMB to reduce volatility fluctuating investment returns have on the funded status and contribution rates
  - Asset smoothing is commonly used by other state and local public retirement plans
  - Buck recommends re-initializing the Actuarial Value of Assets to the Fair Value of Assets as of June 30, 2014 to comply with legislative intent
    - However, gradually smooth future asset gains and losses 20% per year until 5-year smoothing period is re-established
    - This will be consistent with GASB 67 and 68 in determination of Net Pension Liability and Pension Expense
    - Buck also recommends removing 80%-120% of Fair Value corridor
      - To be consistent with GASB
      - Experience outside corridor is infrequent and creates more volatility

**Estimated Roll-forward Actuarial Valuation  
for PERS and TRS  
Projected from June 30, 2013 Valuation Results  
(assumes 8.0% investment rate of return for both FY14 and FY15)**

# Example of New Procedure for PERS

## Estimate of Projected Accrued Liability, Assets, and Funding Ratio to June 30, 2015 (\$'s in millions)

	Pension	Healthcare	Total
<b><u>Accrued Liability</u></b>			
6/30/2013 Total Accrued Liability	\$ 11,945.9	\$ 8,046.9	\$ 19,992.8
6/30/2013 Normal Cost	160.8	86.3	247.1
FY14 Expected Benefit Payments	(661.7)	(387.8)	(1,049.5)
Interest during FY14	940.4	634.1	1,574.5
6/30/2014 Total Accrued Liability	\$ 12,385.4	\$ 8,379.5	\$ 20,764.9
6/30/2014 Normal Cost	148.4	76.8	225.2
FY15 Expected Benefit Payments	(715.0)	(416.5)	(1,131.5)
Interest during FY15	972.3	658.8	1,631.1
6/30/2015 Total Accrued Liability	\$ 12,791.1	\$ 8,698.6	\$ 21,489.7
<b><u>Assets</u></b>			
6/30/2013 Total Fair Value of Assets	\$ 6,694.5	\$ 5,829.6	\$ 12,524.1
FY14 Expected EE/ER Contributions	315.7	228.3	544.0
FY14 State Assistance	176.8	135.7	312.5
FY14 Expected Benefit Payments	(661.7)	(387.8)	(1,049.5)
Expected Investment Return during FY14	532.7	468.7	1,001.4
6/30/2014 Total Actuarial Value of Assets	\$ 7,058.0	\$ 6,274.5	\$ 13,332.5
FY15 Expected EE/ER Contributions	378.1	163.9	542.0
FY15 State Assistance	1,000.0	-	1,000.0
FY15 Expected Benefit Payments	(715.0)	(416.5)	(1,131.5)
Expected Investment Return during FY15	598.5	490.7	1,089.2
6/30/2015 Total Actuarial Value of Assets	\$ 8,319.6	\$ 6,512.6	\$ 14,832.2
<b>6/30/2015 Unfunded Liability</b>	<b>\$ 4,471.5</b>	<b>\$ 2,186.0</b>	<b>\$ 6,657.5</b>
<b>6/30/2015 Funding Ratio</b>	<b>65.0%</b>	<b>74.9%</b>	<b>69.0%</b>

# Example of New Procedure for PERS

## Estimate of Contribution Rates, Amounts, and Additional State Contribution for FY16

(\$'s in millions)

	Pension	Healthcare	Total
<b><u>FY16 Expected Annual Salary</u></b>			
DB			\$ 1,310.9
DCR			1,125.5
Total			\$ 2,436.4

### **FY16 Employer/State Actuarial Contributions**

Total Normal Cost	\$ 136.8	\$ 68.5	\$ 205.3
24-year Amortization Payment, Level %	287.9	140.8	428.7
Total Contribution	\$ 424.7	\$ 209.3	\$ 634.0
Member Contributions	(100.4)	-	(100.4)
Er/State Cont	\$ 324.3	\$ 209.3	\$ 533.6
Er/State Cont %	13.31%	8.59%	21.90%

### **FY16 Total Additional State Contribution**

	Rate	Amount
Total Actuarial Contribution for DB Plan	21.90%	\$ 533.6
DCR Contribution	4.61%	112.3
Total Required Contribution	26.51%	\$ 645.9
Total Limited Employer Contribution	-22.00%	(536.0)
Additional State Contribution for FY16	4.51%	\$ 109.9



# Example of New Procedure for TRS

## Estimate of Projected Accrued Liability, Assets, and Funding Ratio to June 30, 2015 (\$'s in millions)

	Pension	Healthcare	Total
<b><u>Accrued Liability</u></b>			
6/30/2013 Total Accrued Liability	\$ 6,589.6	\$ 3,002.5	\$ 9,592.1
6/30/2013 Normal Cost	64.3	23.6	87.9
FY14 Expected Benefit Payments	(408.4)	(142.8)	(551.2)
Interest during FY14	514.9	236.0	750.9
6/30/2014 Total Accrued Liability	\$ 6,760.4	\$ 3,119.3	\$ 9,879.7
6/30/2014 Normal Cost	60.5	21.6	82.1
FY15 Expected Benefit Payments	(431.7)	(150.8)	(582.5)
Interest during FY15	527.3	244.8	772.1
6/30/2015 Total Accrued Liability	\$ 6,916.5	\$ 3,234.9	\$ 10,151.4
<b><u>Assets</u></b>			
6/30/2013 Total Fair Value of Assets	\$ 3,279.1	\$ 1,866.4	\$ 5,145.5
FY14 Expected EE/ER Contributions	82.9	34.9	117.8
FY14 State Assistance	208.9	108.0	316.9
FY14 Expected Benefit Payments	(408.4)	(142.8)	(551.2)
Expected Investment Return during FY14	263.4	152.5	415.9
6/30/2014 Total Actuarial Value of Assets	\$ 3,425.9	\$ 2,019.0	\$ 5,444.9
FY15 Expected EE/ER Contributions	87.2	28.7	115.9
FY15 State Assistance	1,662.7	337.3	2,000.0
FY15 Expected Benefit Payments	(431.7)	(150.8)	(582.5)
Expected Investment Return during FY15	341.5	172.9	514.4
6/30/2015 Total Actuarial Value of Assets	\$ 5,085.6	\$ 2,407.1	\$ 7,492.7
<b>6/30/2015 Unfunded Liability</b>	<b>\$ 1,830.9</b>	<b>\$ 827.8</b>	<b>\$ 2,658.7</b>
<b>6/30/2015 Funding Ratio</b>	<b>73.5%</b>	<b>74.4%</b>	<b>73.8%</b>



# Example of New Procedure for TRS

## Estimate of Contribution Rates, Amounts, and Additional State Contribution for FY16

(\$'s in millions)

	Pension	Healthcare	Total
<b><u>FY16 Expected Annual Salary</u></b>			
DB			\$ 468.5
DCR			310.1
Total			\$ 778.6

### **FY16 Employer/State Actuarial Contributions**

Total Normal Cost	\$ 56.7	\$ 19.7	\$ 76.4
24-year Amortization Payment, Level %	117.9	53.3	171.2
Total Contribution	\$ 174.6	\$ 73.0	\$ 247.6
Member Contributions	(44.3)	-	(44.3)
Er/State Cont	\$ 130.3	\$ 73.0	\$ 203.3
Er/State Cont %	16.73%	9.38%	26.11%

### **FY16 Total Additional State Contribution**

	Rate	Amount
Total Actuarial Contribution for DB Plan	26.11%	\$ 203.3
DCR Contribution	4.79%	37.3
Total Required Contribution	30.90%	\$ 240.6
Total Limited Employer Contribution	-12.56%	(97.8)
Additional State Contribution for FY16	18.34%	\$ 142.8

A landscape photograph showing a large glacier flowing from snow-capped mountains into a body of water. The glacier's surface is textured with dark rock and sediment. The water in the foreground is dark and contains small ice floes. The sky is overcast with grey clouds. The image is framed by a red bar at the top and a white bar at the bottom.

# Questions?

# Disclosures

- The projections in this presentation were developed for the Alaska Retirement Management Board and State of Alaska Staff by Buck Consultants, LLC using generally accepted actuarial principles and techniques in accordance with all applicable Actuarial Standards of Practice (ASOPs).
- The calculations and projections are based on member and financial data, current Board policies, actuarial assumptions and methods, and plan provisions summarized in the 2013 actuarial valuation reports of the Alaska Retirement Systems. Projections assume a 1% growth in total employees per year for the projection of annual salaries and actuarial assumptions are exactly realized by future experience, including an investment rate of return in FY14 and FY15 of 8.0%.
- No third party recipient of Buck's work product should rely upon Buck's work product absent involvement of Buck or without our approval.
- Future actuarial measurements may differ significantly from the current and projected measurements presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.
- David Slishinsky is a Member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. He is an Associate of the Society of Actuaries, an Enrolled Actuary, and a Fellow of the Conference of Consulting Actuaries. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

## ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Certification of Actuarial Review

ACTION: X

DATE: June 26, 2014

INFORMATION:                     

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### BACKGROUND:

AS 39.10.220 (a) (9) prescribes certain duties and reports that the Alaska Retirement Management Board is responsible for securing from a member of the American Academy of Actuaries. Additionally it contains a requirement that “the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board.”

### STATUS:

Buck Consultants, the board’s actuary, has completed: (1) a valuation of the Public Employees’ Retirement System (PERS) as of June 30, 2013, (2) a valuation of the Teachers’ Retirement System (TRS) as of June 30, 2013, (3) a valuation of the Defined Contribution Retirement Plan as of June 30, 2013, (4) a roll-forward valuation of the Judicial Retirement System (JRS) as of June 30, 2013, and (5) a roll forward valuation of the National Guard Naval Militia System (NGNMRS), Judicial Retirement System (JRS), and the health plan as of June 30, 2013.

Gabriel Roeder Smith & Company (GRS), the board’s second actuary, has reviewed the work products prepared by Buck Consultants: A letter and report describing a review of the June 30, 2013 PERS and TRS valuations; a letter and report describing a review of the June 30, 2013 Defined Contribution Retirement Plan; and a letter describing a review of the June 30, 2013 roll-forward valuation of NGNMRS/JRS/health plan were provided to the Board at its April 24-25, 2014 meeting.

### RECOMMENDATION:

That the Alaska Retirement Management Board formally accept the review and certification of actuarial reports by Gabriel Roeder Smith & Company, and that staff coordinate with the Division of Retirement & Benefits and Buck Consultants to discuss and implement the suggestions and recommendations of the reviewing actuary where considered appropriate.

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# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Acceptance of Actuarial Reports PERS DB  
TRS DB, PERS DCR and TRS DCR

ACTION: X

DATE: June 26, 2014

INFORMATION:                     

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## BACKGROUND:

AS 37.10.220(a)(8) prescribes that the Alaska Retirement Management Board (Board) “coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system.”

AS 37.10.220(a)(9) provides that “the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the Board.”

## STATUS:

Buck Consultants has completed the following reports and the reports have been presented to the Board:

- 1) an actuarial valuation of the Public Employees’ Retirement System as of June 30, 2013
- 2) an actuarial valuation of the Teachers’ Retirement System as of June 30, 2013
- 3) an actuarial valuation of the Public Employees’ Retirement System – Defined Contribution Retirement Plan (for Occupational Death and Disability and Retiree Medical Benefits) as of June 30, 2013
- 4) an actuarial valuation of the Teachers’ Retirement System – Defined Contribution Retirement Plan (for Occupational Death and Disability and Retiree Medical Benefits) as of June 30, 2013

Gabriel Roeder Smith & Company (GRS), the Board’s actuary, has reviewed the above actuarial valuations and has provided their report to the Board.

## RECOMMENDATION:

That the Alaska Retirement Management Board accepts the actuarial valuation reports prepared by Buck Consultants for the Public Employees’, Teachers’, Public Employees’ Defined Contribution (for Occupational Death and Disability and Retiree Medical Benefits) and Teachers’ Defined Contribution (for Occupational Death and Disability and Retiree Medical Benefits) retirement system as of June 30, 2013.

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## ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Acceptance of Actuarial Valuation  
Report - NGNMRS  
DATE: June 26, 2014

ACTION: X  
INFORMATION:           

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### BACKGROUND:

AS 37.10.220(a)(8) prescribes that the Alaska Retirement Management Board (Board) “coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system”.

AS 37.10.220(a)(9) provides that the Board have “the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the Board”.

### STATUS:

Buck Consultants has completed the roll-forward actuarial valuation of the National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2013 and the report has been presented to the Board.

Gabriel Roeder Smith & Company (GRS), the Board’s actuary, has reviewed the actuarial valuation and has provided their report to the Board.

### RECOMMENDATION:

That the Alaska Retirement Management Board accepts the roll-forward actuarial valuation report prepared by Buck Consultants for the National Guard and Naval Militia Retirement System as of June 30, 2013 in order to set the actuarially determined contribution amount.

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# ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Contribution Rate Setting FY16

ACTION: X

DATE: June 26, 2014

INFORMATION:           

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## BACKGROUND:

AS37.10.220 sets forth the powers and duties of the Alaska Retirement Management Board (Board) which include coordinating with the retirement system administrator to have an annual actuarial valuation prepared to determine system assets, accrued liabilities, and funding ratios to certify an appropriate contribution rate for normal costs and for liquidating any past service liability. The Board also reviews all actuarial assumptions prepared by the actuary.

## STATUS:

The Alaska Legislature enacted HB385 which specifically addresses the contribution rate setting authority in AS37.10.220(B) adding language requiring that *the appropriate contribution rate for liquidating past service liability must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years*. The legislature also passed SB119 which included a \$1 Billion appropriation to the Public Employees' Retirement System (PERS) and \$2 Billion to the Teachers' Retirement System (TRS) from the Constitutional Budget Reserve fund. This legislation also included intent language that the Board and the Department of Administration direct the plans' actuary to eliminate the two-year rate-setting lag and to eliminate asset value smoothing in the PERS and TRS valuations.

In discussing the intent language included in the legislation, staff at Departments of Revenue and Administration requested a presentation from the actuary on the impacts on the contribution rates.

## RECOMMENDATION:

That the Board direct the actuary to prepare contribution rates in accordance with law and sound actuarial practice for consideration at the September 18-19, 2014 trustee meeting.

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# Frontier Capital Management

**Mandate:** Small Cap Value

**Hired:** 2011

Firm Information	Investment Approach	Total ARMB Mandate*
<p>Frontier Capital Management Company (“Frontier”) was incorporated on November 26, 1980, as a Subchapter S Corporation and filed with the SEC on January 14, 1981. The firm began managing accounts on January 31, 1981. Frontier is an independently managed firm. Frontier is a research driven investment management boutique specializing in U.S. equity strategies.</p> <p>As of 3/31/14, the firm’s total assets under management were \$14.3 billion.</p> <p><b>Key Executives:</b>  <b>Thomas W. Duncan, Jr.,</b> <i>Senior Vice President, Co-Portfolio Manager</i>  <b>William A. Teichner,</b> <i>Senior Vice President, Co-Portfolio Manager</i>  <b>Leigh Anne Yoo,</b> <i>Vice President, Marketing and Client Service</i></p>	<p>Frontier’s small cap value strategy seeks to capitalize on their expertise in small cap U.S. equities, applying internally generated fundamental research and bottom-up stock selection in creating a defined small cap value portfolio. Frontier believes that a disciplined and consistent approach to fundamental, bottom-up research leads to superior long-term investment performance.</p> <p>Consistent since its inception in 1999, the Frontier small cap value strategy has sought long-term capital appreciation by employing a Relative-Value approach to identify the best risk/reward investment ideas in the U.S. small capitalization equity universe. They purchase companies with prospects for improving business that have multiple levers to drive the stock price and that are selling at reasonable valuations. Frontier’s philosophy combines rigorous bottom-up fundamental analysis with a proven investment process.</p> <p><b>Benchmark:</b> Russell 2000 Value Index</p>	<p><b>Assets Under Management:</b>  3/31/14 \$186,406,060</p>

**Concerns:** None

3/31/14 Performance*				
	<u>Last Quarter</u>	<u>1-Year</u>	<u>3-Years Annualized</u>	<u>5-Years Annualized</u>
Manager (gross)	4.08%	24.89%	N/A	N/A
Fee	0.22%	1.04%		
Manager (net)	3.86%	23.85%		
Benchmark	1.78%	22.65%		

\*Source: Callan Associates Inc.



June 27, 2014

## Small Cap Value Portfolios

Thomas W. "TJ" Duncan, Jr.  
William A. Teichner, CFA  
*Co-Portfolio Managers*

**For more information, contact:**

Leigh Anne Yoo  
*Vice President, Marketing and Client Service*  
99 Summer Street, Boston, MA 02110  
P +617.443.1621  
C +646.242.4991  
[lyoo@frontiercap.com](mailto:lyoo@frontiercap.com)



# WHAT DISTINGUISHES FRONTIER?

Proven discipline in bottom-up, fundamental investing

## Background

- 33-year expertise in managing long-only U.S. equity portfolios for institutional investors
- Asset management is our only business
- \$13.4 billion in assets under management (as of 5/31/14)
- Affiliate of Affiliated Managers Group ('AMG') since January 1, 2000

## Investment research focus

- 17 investment professionals and 2 institutional traders
- Firm of analysts focused on deep, internally-generated fundamental research
- Idea generation and due diligence conducted by entire investment team
- Analysts specialize by industry across all market caps

## People

- Partnership culture with broad employee ownership
- Continuity among employees and clients
- Commitment to clients and strong long-term performance results

# INVESTMENT TEAM

\* Employee owners

## MICHAEL A. CAVARRETTA, CFA\*

CHAIRMAN

**Portfolio Manager – Capital Appreciation  
Team Leader – Research Portfolios**

*BA – University of Maine  
MBA – Harvard University*  
• 26 years with Frontier  
• 30 years experience

## JAMES A. COLGAN\*

**Portfolio Manager – Small Cap Growth**

*BS – University of Connecticut  
MS – University of Massachusetts  
MS, MBA – MIT*  
• 16 years with Frontier  
• 22 years experience

## PETER G. KUECHLE\*

**Team Leader – Research Portfolios  
Analyst – Financial Services / Software**

*BA – Dartmouth College  
MBA – Harvard University*  
• 12 years with Frontier  
• 18 years experience

## NATHAN A. HAYMAN\*

**Analyst – Aerospace / Transport. / Housing**

*LLB – Hebrew University Law School  
MBA – Dartmouth College*  
• 6 years with Frontier  
• 6 years experience

## ADAM K. PANASIEWICZ

**Analyst – Energy / Business Services**

*BA – University of Toronto  
MBA – Harvard University*  
• 3 years with Frontier  
• 5 years experience

## STEPHEN M. KNIGHTLY, CFA\*

PRESIDENT

**Portfolio Manager – Mid Cap Growth**

*BS – Lehigh University  
MBA – University of Pennsylvania*  
• 22 years with Frontier  
• 24 years experience

## G. MICHAEL NOVAK, JR.\*

**Portfolio Manager – Small Cap Growth**

*BS – US Military Academy  
MBA – Harvard University*  
• 16 years with Frontier  
• 16 years experience

## JONATHAN M. LEVIN, MD\*

**Analyst – Health Care**

*BA – Yale University  
MD – Emory University School of Medicine  
MPH – Harvard School of Public Health  
MBA – MIT*  
• 10 years with Frontier  
• 11 years experience

## KRISTIN S. KING, CFA\*

**Analyst – Consumer**

*BS – University of Notre Dame  
MBA – University of Pennsylvania*  
• 5 years with Frontier  
• 9 years experience

## LISA A. TURLEY\*

**Senior Trader**

*BA – University of Massachusetts*  
• 23 years with Frontier  
• 23 years experience

## WILLIAM A. TEICHNER, CFA\*

**Portfolio Manager – Small Cap Value**

*BA – Columbia University  
MBA – Harvard University*  
• 22 years with Frontier  
• 24 years experience

## CHRISTOPHER J. SCARPA\*

**Portfolio Manager – Mid Cap Growth**

*BA – Tufts University  
MBA – Harvard University*  
• 13 years with Frontier  
• 15 years experience

## RUSHAN (GREG) JIANG, CFA\*

**Analyst – Industrials / Business Services**

*BS – The University of Texas at Austin  
MS – Stanford University  
MBA – MIT*  
• 9 years with Frontier  
• 11 years experience

## MICHAEL E. GARGANO\*

**Analyst – Health Care Services /  
Technology Hardware**

*BS – Boston College*  
• 4 years with Frontier  
• 16 years experience

## CAROLYN C. SHEA

**Senior Trader**

*BA – St. Lawrence University*  
• 14 years with Frontier  
• 23 years experience

## THOMAS W. DUNCAN, JR.\*

**Portfolio Manager – Small Cap Value**

*BA – Skidmore College  
MBA – Cornell University*  
• 21 years with Frontier  
• 23 years experience

## ANDREW B. BENNETT, CFA\*

**Portfolio Manager – Capital Appreciation  
Analyst – Special Situations**

*BA – Wheaton College*  
• 13 years with Frontier  
• 18 years experience

## RAVI DABAS\*

**Analyst – Computer Services / Technology**

*BE – University of New Delhi  
MS – University of Houston  
MBA – University of Pennsylvania*  
• 7 years with Frontier  
• 15 years experience

## EMMANUEL FRANJUL

**Analyst – Financial Services / Business Services**

*BS – Cornell University  
MBA – Cornell University*  
• 3 years with Frontier  
• 3 years experience

# FRONTIER SMALL CAP VALUE

## PORTFOLIO DESCRIPTION

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### Style

U.S. Equity Small Cap Value

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### Portfolio Inception

January 1, 1999

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### Portfolio Managers

William A. Teichner, CFA and Thomas W. “TJ” Duncan

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### Investment Philosophy

- Stock prices ultimately follow earnings progress
  - Market inefficiencies exist in the small cap segment of the U.S. equity market, particularly among small value stocks, and create long term investment opportunities
  - These inefficiencies and investment opportunities can be identified and capitalized on through fundamental research and bottom-up stock selection
- 

### Basic Product Design

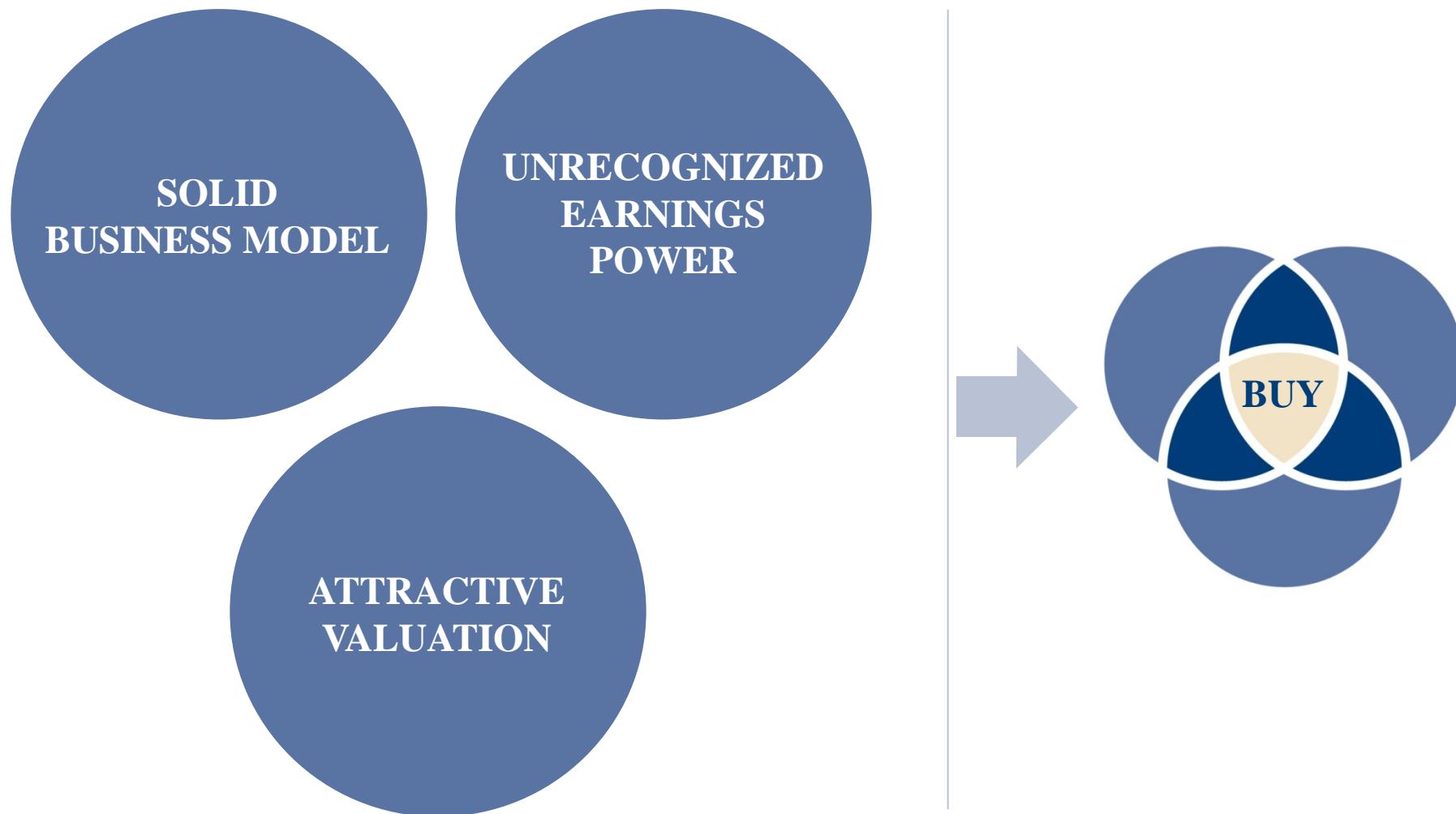
- Approximately 70 – 100 stocks
  - Within the range of the Russell 2000® Index *(at time of initial purchase for the strategy)*
  - Majority of value added from stock selection
- 

### Performance History & Expectations

- Top quartile performance for 3-, 5-, 7-, 10-year, and since inception periods
  - Performed well in fundamentally driven markets
  - History of protecting capital in down markets
  - Likely challenged in speculative markets
-

# INVESTMENT PHILOSOPHY – WHAT WE BUY

We believe there are three key drivers of long-term consistent performance



# PORTFOLIO PERFORMANCE

GROSS RETURNS (%)	YTD (ending 5/31/14)	YEAR 2013	YEAR 2012	INCEPTION* (ending 5/31/14)
Alaska Retirement Management Board	2.4%	40.2%	25.8%	27.8%
Russell 2000® Value	-0.2%	34.5%	18.1%	21.0%
<i>Excess Return</i>	+2.6%	+5.7%	+7.7%	+6.8%

\*Performance Inception: 1/1/12

Returns are annualized for periods greater than 1 year. Periods less than 1 year are cumulative, unless otherwise noted.

PORTFOLIO SUMMARY	AMOUNT
Initial Value Invested on 11/7/11	\$100,000,000
Net Additions / (Withdrawals)	(\$80,000,000)
Income Received	\$4,190,473
Market Appreciation	\$78,553,804
Market Value as of 5/31/14	\$102,744,277

# PERFORMANCE ATTRIBUTION – TRAILING 1 YEAR

## ATTRIBUTION ANALYSIS

RUSSELL SECTORS	SECTOR SELECTION	STOCK SELECTION	TOTAL EFFECT
Financial Services	0.3	1.8	2.1
Energy	0.1	1.8	1.9
Materials & Processing	0.0	1.5	1.5
Technology	0.4	-0.2	0.2
Producer Durables	0.2	0.0	0.2
Consumer Staples	-0.2	0.0	-0.2
Utilities	0.0	-0.4	-0.4
Health Care	-0.2	-0.5	-0.7
Consumer Discretionary	-0.7	-0.5	-1.2
<b>Total</b>	<b>-0.1</b>	<b>3.6</b>	<b>3.4</b>

TOP FIVE CONTRIBUTORS		Contribution to Return
TriQuint Semiconductor Inc.	Technology	+ 1.8%
Carrizo Oil & Gas Inc.	Energy	+ 1.7%
E*TRADE Financial Corporation	Financial Services	+ 1.5%
Saia Inc.	Producer Durables	+ 1.2%
Modine Manufacturing Company	Producer Durables	+ 1.1%

BOTTOM FIVE DETRACTORS		Contribution to Return
NII Holdings Inc.	Utilities	- 0.4%
Accuride Corporation	Producer Durables	- 0.4%
MRC Global Inc.	Materials & Processing	- 0.3%
Symmetry Medical Inc.	Health Care	- 0.3%
Briggs & Stratton Corporation	Producer Durables	- 0.2%

Source: FactSet Fundamentals

Benchmark: Russell 2000® Value

Period: One Year Ending March 31, 2014

The performance quoted represents past performance. Past performance does not guarantee future results. Performance attribution is based upon a representative account within Frontier's Small Cap Value composite. Data is represented on a cumulative basis.

# PORTFOLIO CHARACTERISTICS

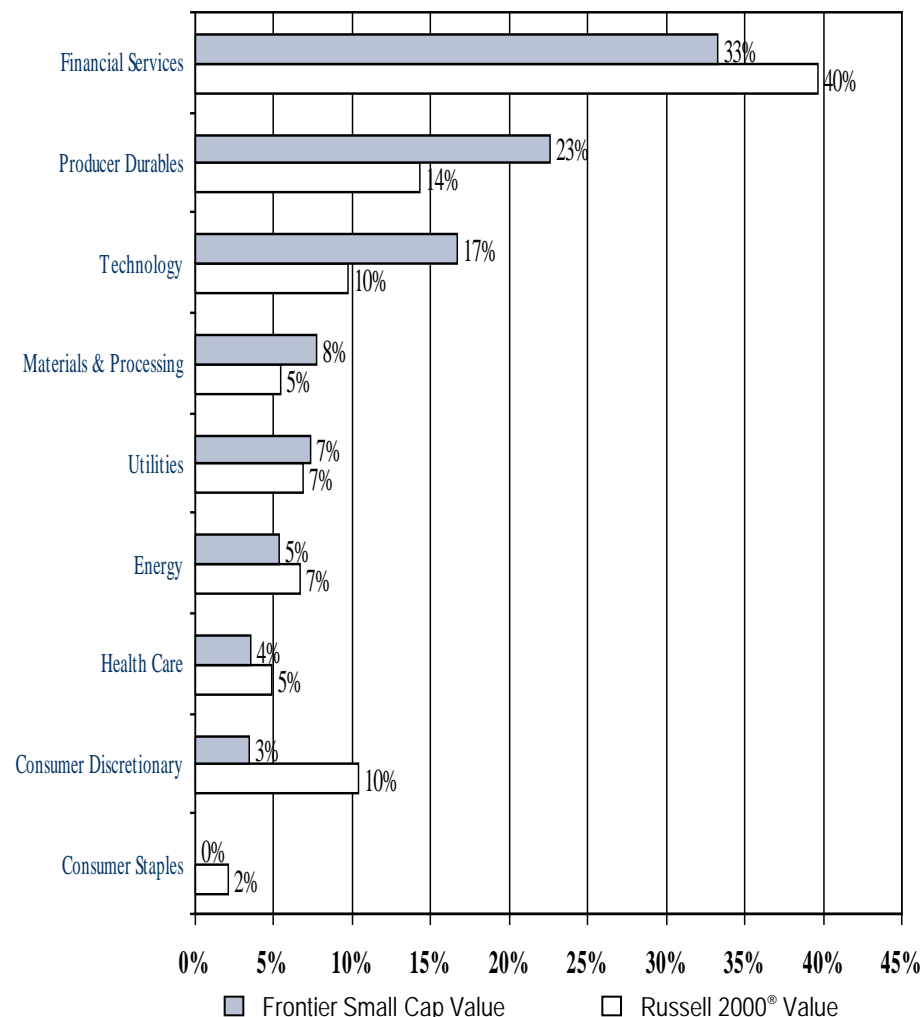
## PORTFOLIO CHARACTERISTICS

		Frontier Small Cap Value	Russell 2000® Value
<b>Number of Holdings</b>		80	1,374
<b>Capitalization</b>	Weighted Average	\$2.2B	\$1.6B
	Weighted Median	\$1.6B	\$1.5B
<b>P/B Ratio</b>		1.9x	1.8x
<b>Turnover</b>	Trailing 1 Year	33%	n/a

## TOP TEN HOLDINGS

Security Name*	Russell Sector	Percentage of Portfolio
Carrizo Oil & Gas Inc.	Energy	2.7
Altra Industrial Motion Corp.	Producer Durables	2.6
Aspen Insurance Holdings Limited	Financial Services	2.4
Argo Group International Holdings Ltd.	Financial Services	2.4
E*TRADE Financial Corporation	Financial Services	2.3
Pinnacle Financial Partners Inc.	Financial Services	2.3
Modine Manufacturing Company	Producer Durables	2.3
Ingram Micro Inc.	Technology	2.3
Saia Inc.	Producer Durables	2.2
Selective Insurance Group Inc.	Financial Services	2.1
<b>Total</b>		<b>23.6</b>

## RUSSELL GLOBAL SECTOR WEIGHTS



As of March 31, 2014. Source: FactSet Fundamentals. \*The specific securities identified are not representative of all of the securities purchased, sold or recommended for clients and should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that an investment in the securities identified has been or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed.



# PORTFOLIO HOLDINGS

## Producer Durables

- Advanced Energy Industries Inc.
- Altra Industrial Motion Corp.
- Briggs & Stratton Corporation
- Carlisle Companies Incorporated
- Celadon Group Inc.
- CRA International Inc.
- Encore Wire Corporation
- FTI Consulting Inc.
- Furmanite Corporation
- Harsco Corporation
- HNI Corporation
- Hub Group Inc.
- Itron Inc.
- Littelfuse Inc.
- Modine Manufacturing Company
- MSA Safety Inc.
- Primoris Services Corporation
- Saia Inc.
- Tidewater Inc.
- Wabash National Corporation
- WESCO International Inc.

## Health Care

- Allscripts Healthcare Solutions Inc.
- Merit Medical Systems Inc.
- Myriad Genetics Inc.
- Symmetry Medical Inc.

## Financial Services

- Argo Group International Holdings
- Aspen Insurance Holdings Limited
- E\*TRADE Financial Corporation
- Endurance Specialty Holdings Ltd.
- First Horizon National Corporation
- First Midwest Bancorp Inc.
- Flushing Financial Corporation
- HCC Insurance Holdings Inc.
- National Retail Properties Inc.
- Navigators Group Inc.
- Parkway Properties Inc.
- Pinnacle Financial Partners Inc.
- Popular Inc.
- Renasant Corporation
- Selective Insurance Group Inc.
- Texas Capital Bancshares Inc.
- Washington Federal Inc.
- WSFS Financial Corporation

## Energy

- Carrizo Oil & Gas Inc.
- Comstock Resources Inc.
- SandRidge Energy Inc.

## Technology

- Atmel Corporation
- CIBER Inc.
- Emulex Corporation
- Entropic Communications Inc.
- Fairchild Semiconductor Int'l Inc.
- Ingram Micro Inc.
- Insight Enterprises Inc.
- Integrated Device Technology Inc.
- Jabil Circuit Inc.
- ON Semiconductor Corporation
- Pericom Semiconductor Corporation
- QLogic Corporation
- TriQuint Semiconductor Inc.
- Ultratech Inc.
- Virtusa Corporation

## Utilities

- Piedmont Natural Gas Company Inc.
- Portland General Electric Company
- Southwest Gas Corporation
- Unitil Corporation
- Westar Energy Inc.
- WGL Holdings Inc.

## Consumer Discretionary

- American Eagle Outfitters Inc.
- Chico's FAS Inc.
- Crocs Inc.
- International Speedway Corporation
- Quiksilver Inc.

## Materials & Processing

- Boise Cascade Co.
- Cabot Corporation
- Cytec Industries Inc.
- Eagle Materials Inc.
- Kraton Performance Polymers Inc.
- Lennox International Inc.
- MRC Global Inc.
- P. H. Glatfelter Company

As of March 31, 2014. Source: FactSet Fundamentals. The specific securities identified are not representative of all of the securities purchased, sold or recommended for clients and should not be considered a recommendation to purchase or sell any particular security. It should not be assumed that an investment in the securities identified has or will be profitable. Actual holdings will vary for each client and there is no guarantee that a particular client's account will hold any or all of the securities listed. Please contact Frontier for a list of all securities held in the portfolio for preceding years.

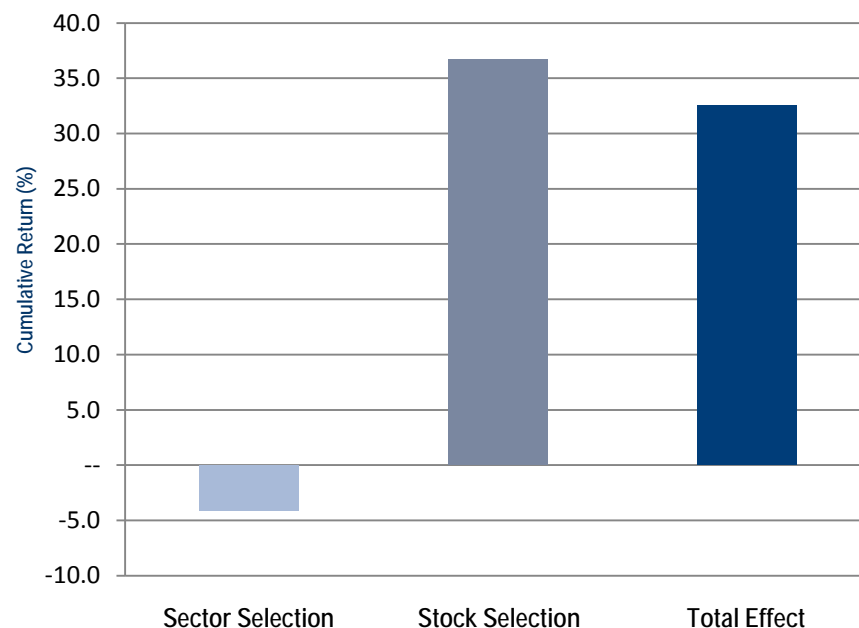
# PERFORMANCE ATTRIBUTION – TRAILING 3 YEARS

- Proven stock picking ability
- Positive stock selection across multiple sectors
- 113% of performance contributions, over the last 3 years, can be attributed to stock selection

## PERFORMANCE ATTRIBUTION

Three Years Ending March 31, 2014

Russell Global Sector	Sector Selection	Stock Selection	Total Effect
Producer Durables	-2.1	15.3	13.2
Materials & Processing	0.6	8.0	8.6
Health Care	-0.3	5.4	5.1
Financial Services	-1.5	4.6	3.1
Technology	0.6	1.2	1.8
Energy	-0.3	2.1	1.8
Utilities	0.0	0.4	0.5
Consumer Staples	-0.1	-0.1	-0.2
Consumer Discretionary	-1.0	-0.3	-1.3
<b>Total</b>	<b>-4.1</b>	<b>36.7</b>	<b>32.6</b>



Source: FactSet Fundamentals  
 Benchmark: Russell 2000® Value  
 Period: Three Years Ending March 31, 2014

The performance quoted represents past performance. Past performance does not guarantee future results. Performance attribution is based upon a representative account within Frontier's Small Cap Value composite. Data is represented on a cumulative basis.

# COMPOSITE PERFORMANCE

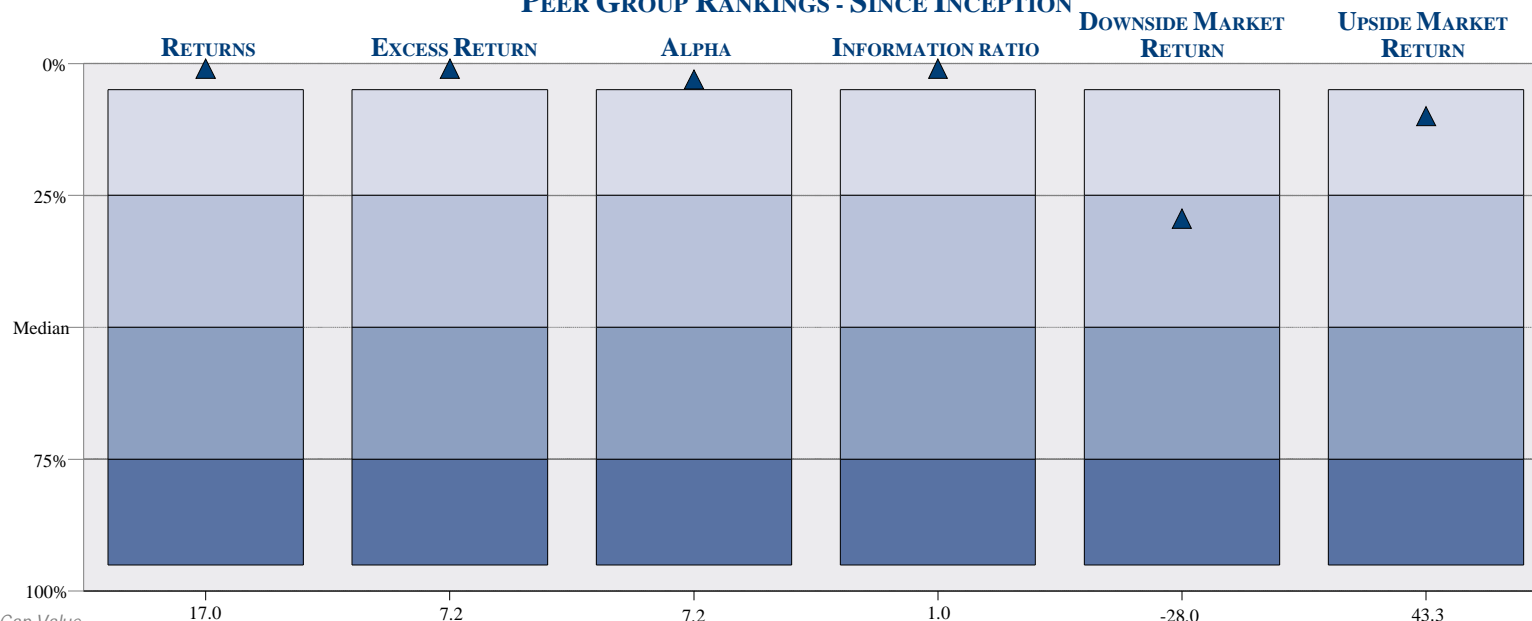
For Annualized Periods Ending March 31, 2014

GROSS RETURNS (%)	1Q 2014	1 YEAR	3 YEAR	5 YEAR	7 YEAR	10 YEAR	SINCE INCEPTION*
Frontier Small Cap Value Composite	4.2%	24.9%	20.0%	30.5%	14.1%	13.9%	17.0%
Russell 2000® Value	1.8%	22.7%	12.7%	23.3%	5.4%	8.1%	9.8%
<i>Excess Return</i>	+2.4%	+2.2%	+7.3%	+7.2%	+8.7%	+5.8%	+7.2%

\*Inception: 1/1/99

Information herein refers to the composite portfolio and is provided for illustrative purposes only. Characteristics and performance of individual client accounts will vary, and no assurances are provided regarding future performance or results. Returns are shown gross of fees. A client's returns will be reduced by any management fees, as well as any other expenses incurred in the management of their account. Please refer to the net returns and important disclosure at the end of this presentation. Past performance is no guarantee of future results.

## PEER GROUP RANKINGS - SINCE INCEPTION



▲ Frontier Small Cap Value

Source: eVestment Alliance

Benchmark: Russell 2000® Value

Universe: Small Cap Value (113 observations: 89% updated)

Period: Ending March 31, 2014. Please contact Frontier for data for time periods other than that shown in this chart.

# APPENDIX

# BIOGRAPHIES



**Michael A. Cavarretta, CFA**

Chairman

**Responsibility**

Portfolio Manager, Frontier Capital Appreciation  
Team Leader, Frontier Research Portfolios

**Prior Experience**

*Financial Analyst*, General Electric Company

**Education**

B.S. University of Maine

M.B.A. Harvard Graduate School of Business Administration



**Thomas (T.J.) W. Duncan, Jr.**

Senior Vice President

**Responsibility**

Portfolio Manager, Frontier Small Cap Value

**Prior Experience**

*Equity Trader*, Cowen & Company

**Education**

B.A. Skidmore College

M.B.A. Cornell University Johnson Graduate School of Management



**Stephen M. Knightly, CFA**

President

**Responsibility**

Portfolio Manager, Frontier Mid Cap Growth

**Prior Experience**

*Analyst and Account Manager*, Bankers Trust Company

**Education**

B.S. Lehigh University

M.B.A. The University of Pennsylvania Wharton School



**James A. Colgan**

Senior Vice President

**Responsibility**

Portfolio Manager, Frontier Small Cap Growth

**Prior Experience**

*Manager*, Digital Equipment Corporation

*Program Manager*, United Technologies Corporation

**Education**

B.S. University of Connecticut

M.S. University of Massachusetts

M.S., M.B.A. MIT Sloan School of Management



**William A. Teichner, CFA**

Senior Vice President

**Responsibility**

Portfolio Manager, Frontier Small Cap Value

**Prior Experience**

*President's Council of Economic Advisers*, The White House

*Corporate Finance Analyst*, Shearson Lehman Brothers Inc.

**Education**

B.A. Columbia University

M.B.A. Harvard Graduate School of Business Administration



**G. Michael Novak, Jr.**

Senior Vice President

**Responsibility**

Portfolio Manager, Frontier Small Cap Growth

**Prior Experience**

*Captain*, United States Army

**Education**

B.S. United States Military Academy

M.B.A. Harvard Graduate School of Business Administration

# BIOGRAPHIES



## Christopher J. Scarpa

Vice President

### **Responsibility**

Portfolio Manager, Frontier Mid Cap Growth

### **Prior Experience**

*Institutional Research Equity Sales*, Merrill Lynch & Co.

*Area Director*, Public Employees Benefit Services Corp.

*Financial Analyst*, Drexel Burnham Lambert, Inc.

### **Education**

B.A. Tufts University

M.B.A. Harvard Graduate School of Business Administration



## Jonathan M. Levin, MD

Vice President

### **Responsibility**

Research Analyst

### **Prior Experience**

*Equity Analyst*, State Street Research and Management

*Clinical Director*, Brain Imaging Center and *Director*, Laboratory for

*Cerebral Blood Flow*, Harvard Medical School/McLean Hospital

*Neurology Resident*, Brigham and Women's Hospital

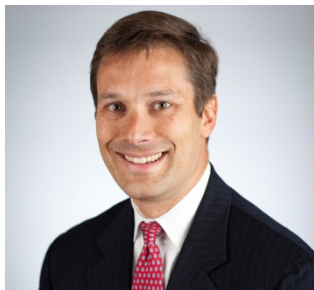
### **Education**

B.A. Yale University

M.D. Emory University School of Medicine

M.P.H. Harvard School of Public Health

M.B.A. MIT Sloan School of Management



## Peter G. Kuechle

Vice President

### **Responsibility**

Team Leader, Frontier Research

Research Analyst

### **Prior Experience**

*Associate*, Bain Capital Ventures

*Manager, Corporate Development*, SupplierMarket/Ariba

*Principal*, Advent International

*Business Analyst*, McKinsey & Company, Inc.

### **Education**

B.A. Dartmouth College

M.B.A. Harvard Graduate School of Business Administration



## Rushan (Greg) Jiang, CFA

Vice President

### **Responsibility**

Research Analyst

### **Prior Experience**

*Associate, Equity Research*, India Capital Fund

*Project Leader and Senior Engineer*, Oracle Corporation

### **Education**

B.S. The University of Texas at Austin

M.S. Stanford University

M.B.A. MIT Sloan School of Management



## Andrew B. Bennett, CFA

Vice President

### **Responsibility**

Portfolio Manager, Frontier Capital Appreciation

Research Analyst

### **Prior Experience**

*Assistant Portfolio Manager*, Wellington Management

*Company, LLP*

*Research Associate*, Frontier Capital Management Company,

LLC

*Associate Analyst*, Alex. Brown & Sons

### **Education**

B.A. Wheaton College



## Ravi Dabas

Vice President

### **Responsibility**

Research Analyst

### **Prior Experience**

*Director, Information Technology*, Agere Systems Inc.

*Senior Manager, Information Technology*, EMC Corporation

*Senior Consultant*, Deloitte Consulting/CGI Group Inc.

*Systems Analyst*, BP/Amoco Corporation

### **Education**

B.E. Delhi College of Engineering, University of New Delhi

M.S. University of Houston

M.B.A. The University of Pennsylvania Wharton School

# BIOGRAPHIES



**Nathan A. Hayman**

Vice President

**Responsibility**

Research Analyst

**Prior Experience**

*Senior Associate, Yigal Arnon & Co.*

**Education**

L.L.B. Hebrew University Law School

M.B.A. Dartmouth College Tuck School of Business



**Emmanuel Franjul**

Research Analyst

**Responsibility**

Research Analyst

**Prior Experience**

*Edison Leadership Program, General Electric Company*

**Education**

B.S. Cornell University

M.B.A. Cornell University Johnson Graduate School of Management



**Kristin S. King, CFA**

Vice President

**Responsibility**

Research Analyst

**Prior Experience**

*Fixed Income Corporate Credit Analyst, Emerging*

*Market Debt, Wellington Management Company*

*Associate and Business Analyst, Global Investment*

*Research, Goldman, Sachs & Co.*

**Education**

B.S. University of Notre Dame

M.B.A. The University of Pennsylvania Wharton School



**Adam K. Panasiewicz**

Research Analyst

**Responsibility**

Research Analyst

**Prior Experience**

*Associate, Stellation Asset Management*

**Education**

B.S. University of Toronto

M.B.A. Harvard Graduate School of Business Administration



**Michael E. Gargano**

Vice President

**Responsibility**

Research Analyst

**Prior Experience**

*Sr. Research Analyst, Copper Rock Capital Partners, LLC*

*Vice President, Analyst, BlackRock, Inc./State Street*

*Research & Management*

*Research Associate, Bear, Stearns & Company, Inc.*

*Research Associate, Loomis, Sayles & Company, L.P.*

*Financial Analyst, Charterhouse, Inc.*

**Education**

B.S. Boston College



**Carolyn C. Shea**

Vice President

**Responsibility**

Institutional Trader

**Prior Experience**

*Senior Equity Trader, Principal, Arlington Capital Management*

*Senior Equity Trader, Assistant Vice President, ING Pilgrim Investments*

*Senior Equity Trader, Vice President, Frontier Capital Management Company, LLC*

*Equity Trader, Harbor Capital Management*

*Research Analyst/Assistant, Franklin Research & Development*

**Education**

B.A. St. Lawrence University



# BIOGRAPHIES



**Lisa A. Turley**

Vice President

**Responsibility**

Institutional Trader

**Education**

B.S. University of Massachusetts



**Richard H. Binder, CPA**

Chief Financial Officer

**Responsibility**

Finance

**Prior Experience**

*Manager, Wolf & Company*

**Education**

B.A. University of Massachusetts



**William J. Ballou**

Chief Operating Officer

**Responsibility**

Legal and Compliance

**Prior Experience**

*Senior Vice President and Senior Counsel, Liberty Financial Companies, Inc.*

*Vice President and Associate Counsel, MFS*

*Investment Management*

*Associate, Ropes & Gray*

**Education**

B.S. Union College

J.D. Duke University School of Law



**Forrest H. Letarte**

Operations Manager

**Responsibility**

Operations

**Prior Experience**

*Business Consultant, Eze Castle Software, LLC*

*President and Co-Founder, Our Town Biodiesel, LLC*

**Education**

B.S. Plymouth State University



**Sarah J. Jankowski**

Chief Administrative Officer

**Responsibility**

Institutional Client Service and Administration

**Prior Experience**

*Associate Director, Investment Counsel Association of America, Inc. (now Investment Adviser Association)*

**Education**

B.A. Wells College



**William (Skip) A. Carino**

Network / IT Manager

**Responsibility**

Information Technology

**Prior Experience**

*Senior Architect and Financial Systems Analyst, Computer Sciences Corporation*

*AVP and Manager of Internet Systems Operations,*

*Scudder, Stevens & Clark & Kemper Investments*

*Systems Analyst/Designer/Developer, Fidelity Investments*

**Education**

B.S. University of Massachusetts



# BIOGRAPHIES



**Christopher W. Premock**

Vice President

**Responsibility**

Institutional Marketing and Client Service

**Prior Experience**

*Vice President*, Lehman Brothers Asset Management

*Vice President*, Neuberger Berman, LLC

*Founder*, Premier Travel Bags

**Education**

A.A.S. Vermont Technical College

B.S. Arizona State University

M.S. Baruch College



**Leigh Anne Yoo**

Vice President

**Responsibility**

Institutional Marketing and Client Service

**Prior Experience**

*Vice President*, Lazard Asset Management

**Education**

B.B.A. University of Georgia



**Amy L. Janezic**

Vice President

**Responsibility**

Institutional Marketing and Client Service

**Prior Experience**

*Custody Accountant*, Investors Bank & Trust Company

**Education**

B.S. Boston College

M.B.A. Babson College



**Kimberly J. Wilkinson**

Assistant Vice President

**Responsibility**

Institutional Client Service

**Prior Experience**

*Business Development Analyst*, Wellington Management Company, LLP

*Senior Accounting and Administration Analyst*, UMB Fund Services, Inc.

**Education**

B.S. University of Wisconsin – Milwaukee

M.B.A. University of Wisconsin – Milwaukee

# DISCLOSURE

## Small Cap Value Composite

Performance Results: January 1, 1999 through December 31, 2013

Year	Gross of Fees Return (%)	Net of Fees Return (%)	Benchmark Return (%)	Composite 3-Year	Benchmark 3-Year	Composite Dispersion (%)	At End of Period			
				Std. Deviation (%)	Std. Deviation (%)		Number of Portfolios	Total Composite Assets (USD millions)	Percentage of Non-Fee-Paying Portfolios	Total Firm Assets (USD millions)
1999	32.0%	30.7%	-1.5%	N/A	N/A	N/A	1	\$8	100	\$4,987
2000	52.3%	50.9%	22.8%	N/A	N/A	N/A	1	\$13	100	\$4,848
2001	16.0%	14.9%	14.0%	17.5%	14.9%	N/A	3	\$62	25	\$4,396
2002	-13.2%	-14.1%	-11.4%	19.2%	17.6%	0.4%	8	\$116	11	\$3,852
2003	35.7%	34.4%	46.0%	19.5%	18.7%	0.7%	9	\$169	10	\$5,661
2004	20.8%	19.7%	22.3%	17.6%	17.8%	0.1%	9	\$89	22	\$5,629
2005	9.3%	8.2%	4.7%	14.5%	14.3%	0.5%	7	\$73	25	\$5,411
2006	19.6%	18.4%	23.5%	13.3%	12.5%	0.2%	7	\$85	24	\$6,076
2007	1.1%	0.1%	-9.8%	11.9%	12.8%	0.2%	7	\$83	25	\$6,305
2008	-27.4%	-28.2%	-28.9%	19.4%	19.4%	0.3%	7	\$55	20	\$4,397
2009	33.6%	32.3%	20.6%	23.5%	26.0%	0.8%	6	\$65	15	\$6,776
2010	36.1%	34.8%	24.5%	26.2%	28.8%	0.4%	7	\$121	11	\$9,950
2011	2.7%	1.7%	-5.5%	23.4%	26.4%	0.2%	10	\$151	9	\$9,015
2012	25.7%	24.5%	18.1%	19.6%	20.2%	0.3%	15	\$381	0	\$9,603
2013	40.1%	38.8%	34.5%	16.9%	16.1%	0.3%	27	\$1,663	0	\$13,880

Frontier Capital Management Co., LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Frontier Capital Management Co., LLC has been independently verified for the periods January 1, 1993 to December 31, 2013. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Value Composite has been examined for the periods January 1, 1999 to December 31, 2013. The verification and performance examination reports are available upon request.

1. Frontier Capital Management Co., LLC ("Frontier") is a registered investment advisor and is an affiliate of Affiliated Managers Group, Inc. Registration does not imply a certain level of skill or training.
2. The firm's list of composite descriptions is available upon request.
3. Inception date and composite creation date: Small Cap Value: January 1, 1999.
4. The Small Cap Value Composite includes all discretionary portfolios whose strategy is to hold investments in companies typically with a price/book ratio of less than 3.0 and with a market capitalization within the range of companies in the Russell 2000® Index at the time of initial purchase. Effective January 1, 2006, the composite has had a significant cash flow policy and defines significant as a cash flow that exceeds 50% of portfolio assets.
5. Benchmark: Russell 2000® Value. Russell indices are unmanaged and their results include income, but do not include fees, commissions or other expenses. The Russell 2000® Value Index measures the performance of small-cap value segment of the U.S. equity universe. It includes those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The benchmark returns are not covered by the report of independent verifiers.
6. Valuations and performance results are computed and stated in U.S. Dollars. Composite and benchmark returns reflect the reinvestment of dividends and other earnings.
7. Gross-of-fees returns are presented before management fees, but after all trading costs. Net-of-fees returns are calculated monthly by deducting 1/12 of the highest fee of 1.0% from the composite gross-of-fees return. Some clients have fee arrangements that include a performance based fee schedule. The standard fee schedule is 1.0% of all assets. Actual fees are negotiable and may vary depending on account type and portfolio size. Net-of-fees returns prior to 2012 have been restated to reflect the use of model fees. Previously actual fees were used. Net-of-fees returns prior to 2012 have not been examined.
8. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
9. Composite dispersion is computed using the asset-weighted standard deviation of the annual gross returns of all accounts that were included in the composite for the entire year. Dispersion is not considered meaningful and is not presented when there are less than five accounts included in the composite for the entire year.
10. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three year standard deviation is not presented for periods where there is not a continuous 36-month history of composite returns.

# ADDITIONAL DISCLOSURES

The holdings of the strategy may differ significantly from the securities that comprise the indexes and universes shown. The index and universe have been selected to represent what Frontier believes are appropriate benchmarks to compare the strategy's performance to. The index is unmanaged and cannot be invested in directly. The returns of the index do not include any transaction costs, management fees, or other costs.

The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, duration and timing of participation as a Frontier client, and a client portfolio's risk tolerance, investment objectives, and investment time horizon.

Charts and graphs included in this presentation are not meant as investment tools or to assist with investment decisions.

The Russell 2000® Value Index is a trademark of Russell Investments. Russell Investments is the owner of the trademarks, service marks and copyrights related to its respective indexes.

There is no guarantee that the investment objective will be met. There is no guarantee that this investment strategy will work under all market conditions and each investor should evaluate his or her ability to invest for a long term, especially during periods of downturn in the market.

Frontier data reflected in all universe charts and graphs is that of the product composite and is gross of fees. Information contained in this presentation has been obtained from sources believed to be reliable, but not guaranteed. Furthermore, there can be no assurance that any trends described in this presentation will continue because economic and market conditions change frequently.

The product composite represents the investment results of a group of accounts with similar investment philosophies and objectives, managed by Frontier. The composite is an asset-weighted average of each account's time-weighted return, and includes reinvestment of income. Composite returns have the potential to be adjusted until reviewed and finalized following calendar quarter ends, and changes to monthly data will be made without any notification to institutional clients, prospects, or consultants.

Frontier endeavors to manage client portfolios within the same investment strategy consistently. Consequently, for the initial funding of new client portfolios Frontier may purchase securities of companies that exceed the market capitalization of the benchmark if these companies were within the range of the benchmark market capitalization at the time of Frontier's initial purchase of the company for the investment strategy.

Returns reflect the reinvestment of dividends and earnings.

Any sectors, industries or securities discussed should not be perceived as investment recommendations.

## Jennison Associates, LLC

**Mandate:** Small Cap

**Hired:** 2005

Firm Information	Investment Approach	Total ARMB Mandate*
<p>Jennison Associates, LLC (“Jennison”) is organized under the laws of Delaware as a single member limited liability company whose sole member is Prudential Investment Management, Inc., which is a direct, wholly-owned subsidiary of Prudential Asset Management Holding Company LLC, which is a direct, wholly-owned subsidiary of Prudential Financial, Inc.</p> <p>As of 3/31/14, the firm’s total assets under management were \$178.0 billion.</p> <p><b>Key Executives:</b>  <b>Jason Swiatek</b>, <i>Managing Director, Portfolio Manager</i>  <b>John Mullman</b>, <i>Managing Director, Portfolio Manager</i>  <b>Peter H. Reinemann, CFA</b>, <i>Managing Director, Client Relationship Management</i></p>	<p>Jennison’s small cap team believes that active management through bottom-up fundamental research can add significant value in uncovering inefficiencies that exist in the small cap asset class. The team seeks to uncover companies that have attractive valuations and should experience superior earnings growth on an intermediate term basis. The underlying philosophy is to buy businesses rather than just companies.</p> <p>Jennison conducts comprehensive fundamental analysis across a wide variety of industries to identify investment potential. Original, fundamental bottom-up company research is the basis of Jennison’s small cap investment process, and the team primarily relies on internal analysis of companies and industry dynamics to make investment decisions. The combination of internal research, a wide-ranging Jennison research staff and an extensive network of Wall Street analysts provide a strong capability for the identification of outstanding stock candidates.</p> <p><b>Benchmark:</b> Russell 2000 Index</p>	<p><b>Assets Under Management:</b>  3/31/14 \$138,834,297</p>

**Concerns:** None

3/31/14 Performance*				
	<u>Last Quarter</u>	<u>1-Year</u>	<u>3-Years Annualized</u>	<u>5-Years Annualized</u>
Manager (gross)	1.53%	26.04%	13.69%	25.97%
Fee	0.20%	0.93%	0.86%	0.95%
Manager (net)	1.33%	25.11%	12.83%	25.02%
Benchmark	1.12%	24.90%	13.18%	24.31%

\*Source: Callan Associates Inc.

# Alaska Retirement Management Board

Jeffrey T. McCarthy  
*Managing Director*

Peter H. Reinemann, CFA  
*Managing Director,  
Client Relationship Management*

# Jennison Associates

## *Commitment to Performance:*

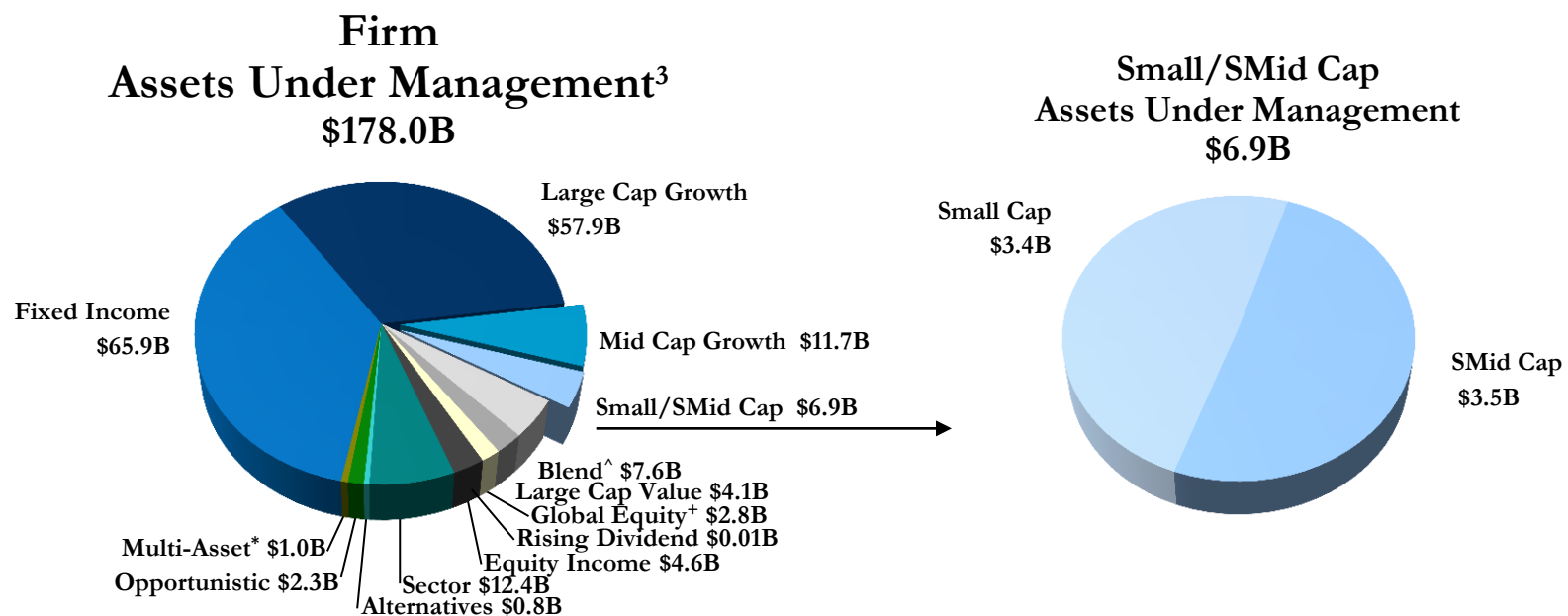
- Investment excellence across our capabilities<sup>1</sup>
- Superior long-term investment returns for over 44 years<sup>2</sup>

## *Investment Culture:*

- Singular focus on delivering results for clients
- Success measured as investment outperformance
- Team-based approach with benefit of individual accountability

## *Investment Objective:*

- Long-term outperformance of relevant benchmarks driven by fundamental research and security selection



*There is no guarantee this objective will be met.*

*Assets under management (AUM) are as of March 31, 2014.*

*\*Multi-Asset AUM also includes Balanced AUM.*

*<sup>^</sup>Blend Equity AUM includes Large Cap Blend Equity and All Cap Blend Equity AUM.*

*<sup>+</sup>Global Equity AUM includes Global Equity and International Equity AUM.*

*Footnotes 1, 2 & 3: See Notes 1, 2 & 3 in the Appendix.*

*Past performance does not guarantee future results.*

# Objectives and Strategy

---

## Objectives

- Outperform Russell 2000<sup>®</sup> Index over intermediate/long term
- Be the best performing manager among our peers

## Strategy

- Use a bottom-up, research-intensive approach to build diversified portfolios of companies with attractive valuations and with projected strong earnings growth on an intermediate-term basis

# Focused Small and Mid Cap Team

Jennison Small and Mid Cap Team	Years of Investment Experience	Research Coverage
<b>John P. Mullman, CFA</b> <i>Portfolio Manager</i>	27	Special Situations
<b>Jason M. Swiatek, CFA</b> <i>Portfolio Manager</i>	19	Financials, Real Estate
<b>Benjamin F. Bryan, CFA</b> <i>Research Analyst</i>	19	Business Services, Internet, Technology, Telecommunications
<b>Jodi I. Love</b> <i>Research Analyst</i>	12	Consumer Discretionary, Retail, Restaurants, Apparel
<b>Steven P. McNeil, CPA</b> <i>Research Analyst</i>	18	Capital Goods & Industrials, Basic Materials, Autos & Auto Parts
<b>Sheetal M. Prasad, CFA</b> <i>Research Analyst</i>	14	Health Care
<b>Eric T. Sartorius, CFA</b> <i>Research Analyst</i>	15	Technology: Semiconductors, Capital Equipment, Communications, Electronics, Software, Storage
<b>Jonathan M. Shapiro</b> <i>Research Analyst</i>	17	Consumer Services, Gaming & Lodging, Financials, Real Estate
<b>Kelly Thomas</b> <i>Research Analyst</i>	7	Consumer Staples, Health Care, Software, REITs
<b>Jeffrey T. McCarthy</b> <i>Portfolio Specialist</i>	18	Portfolio Specialist

## John P. Mullman, CFA, Head of Small and Mid Cap Equity Investment Team

- A decade of private investing with Prudential's private asset management group
- Experience in a wide range of industries and types of financings with various intermediaries
- Managed workouts of over 20 distressed investments

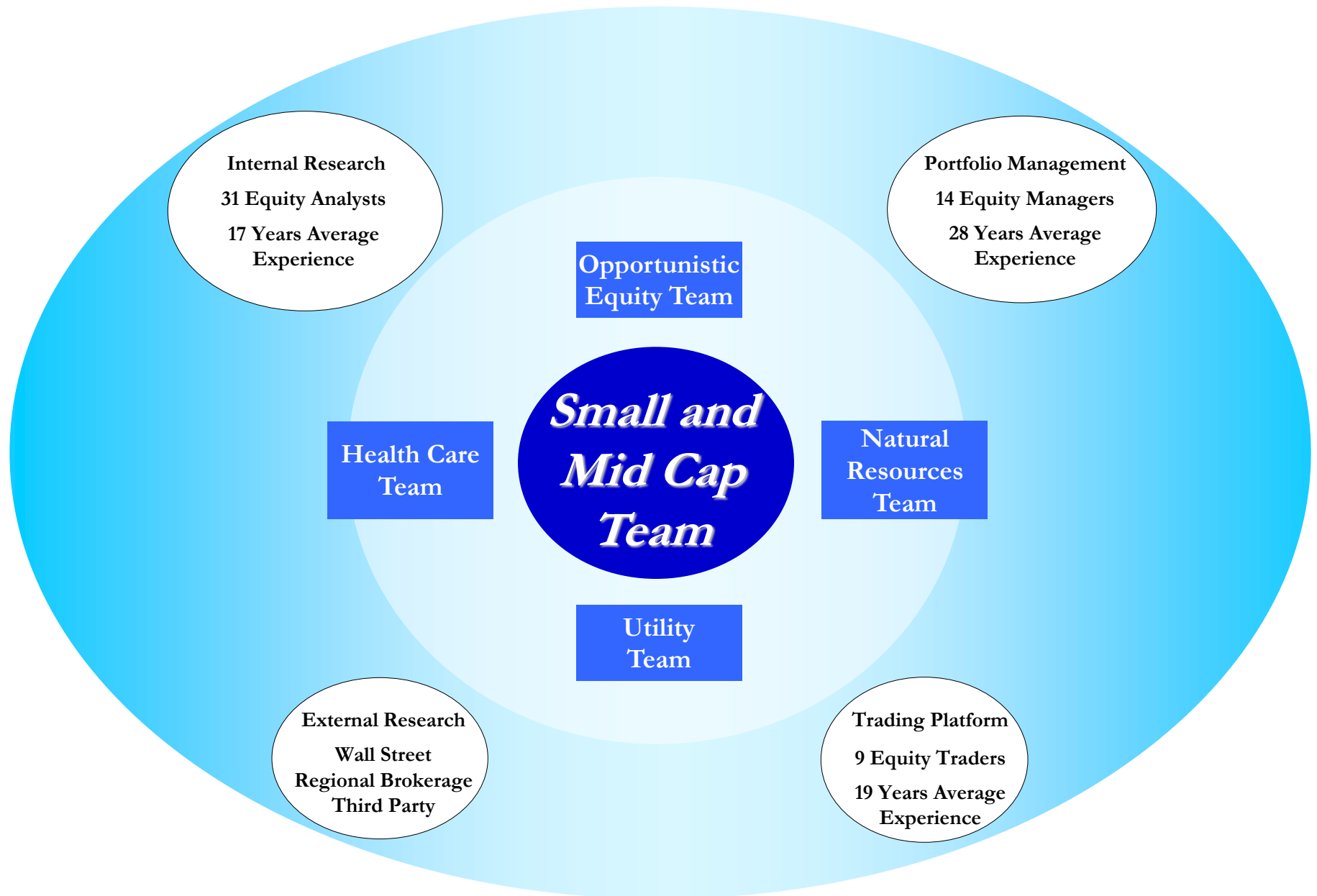
## Dedicated team of 10 with an average of 17 years experience

- Well rounded skill set, solid sector coverage and diverse backgrounds

*Portfolio managers, research analysts and portfolio specialist may support multiple products.*



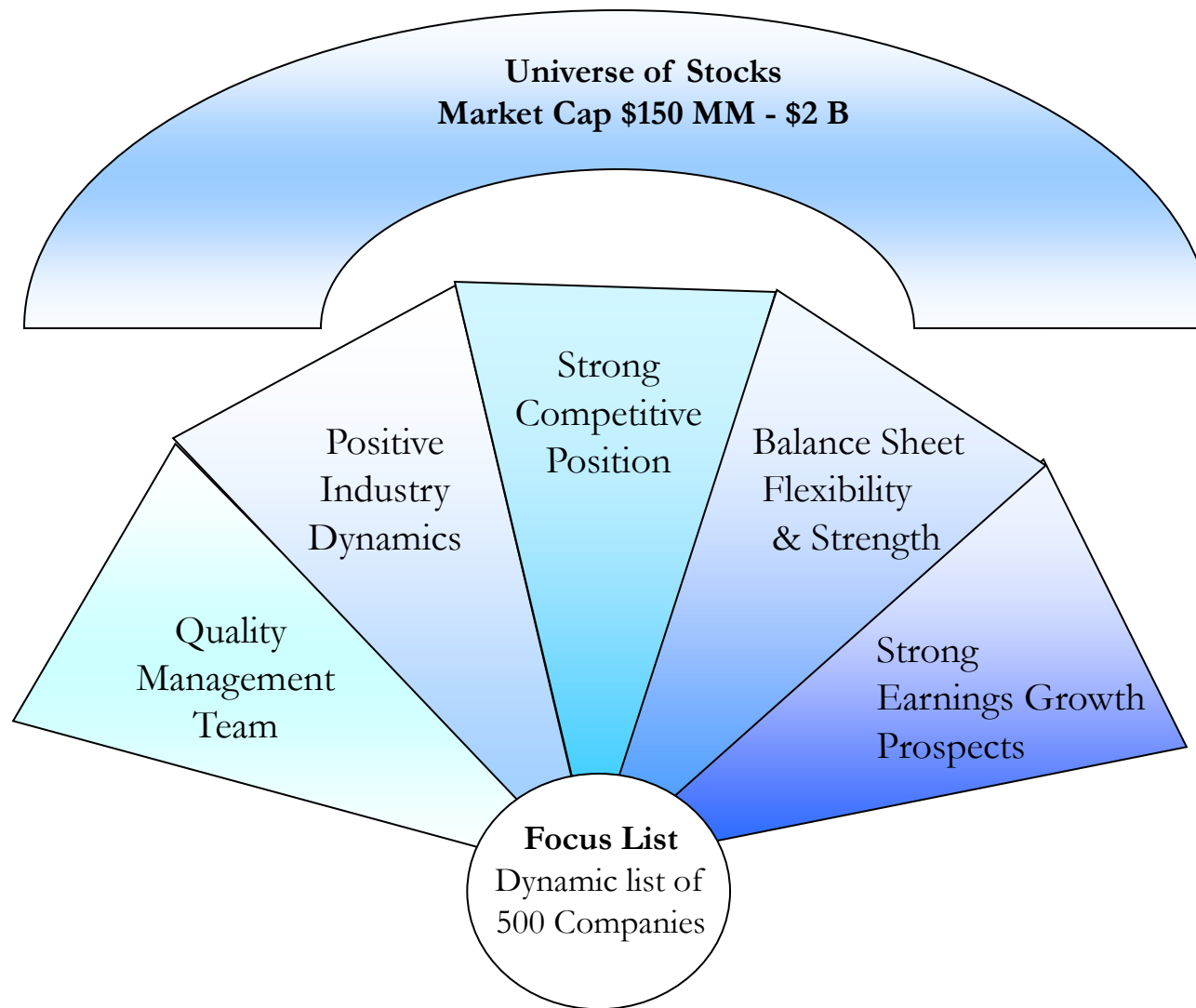
# Investment Team Draws on Multiple Resources



*Portfolio managers and research analysts support multiple products.*

# Narrowing the Universe: Buy Businesses Rather Than Just Stocks

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## Idea Generation

- 148 years combined research experience
- Strength & stability of growth profile
- Company meetings
- Industry conferences
- Sell-side research
- Existing investments

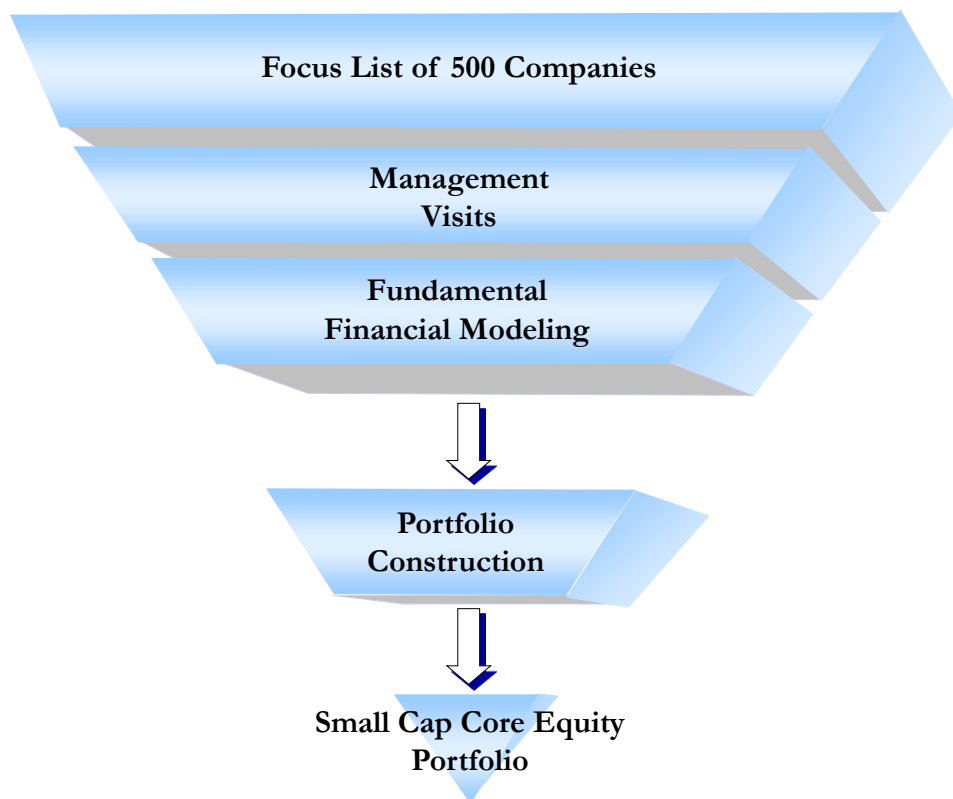
## Focus on

- Business evaluation
- Identifying catalysts

# Fundamental Research and Disciplined Financial Analysis

## Drive Bottom-Up Investment Process

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- Intensive Fundamental Research
  - In-depth coverage across wide variety of industries
- Financial Analysis
  - Internal earnings estimates
  - 3 year earnings/cashflow projections
- Portfolio Construction
  - Project/rank each stock's appreciation potential
  - Target prices derived from earnings estimates and qualitative assessment
  - Size of position reflects balance of appreciation potential, sector exposure, liquidity risk, etc.
  - Typically own 110 - 135 companies
- Sell discipline
  - We typically sell a security when one or more of the following occurs:
    - Holding exceeds the target price
    - Fundamental change in earnings growth or company dynamics that alters our view of appreciation potential
    - Increase in risk characteristics due to changes in company fundamentals or industry trends
    - A more attractive holding candidate is uncovered

# Performance Evaluation

*As of May 31, 2014, Gross of Fee*

	Alaska Retirement Management Board	Russell 2000® Index	Portfolio vs. Russell 2000® Index -- Excess Returns --
YTD to 5/31/14	-1.0%	-2.0%	1.0%
First Quarter 2014	1.8	1.1	0.7
Full Year 2013	40.0	38.8	1.2
Full Year 2012	14.0	16.3	-2.4
Full Year 2011	-0.5	-4.2	3.6
Full Year 2010	31.2	26.9	4.4
Full Year 2009	35.2	27.2	8.1
Full Year 2008	-37.1	-33.8	-3.3
Full Year 2007	6.9	-1.6	8.5
Full Year 2006	19.9	18.4	1.6
5/2/05 to 12/31/05	17.6	17.2	0.5
<b>Since Inception (9.1 Years)</b>			
Cumulative	164.8%	121.1%	43.7%
Annualized	11.3	9.1	2.2

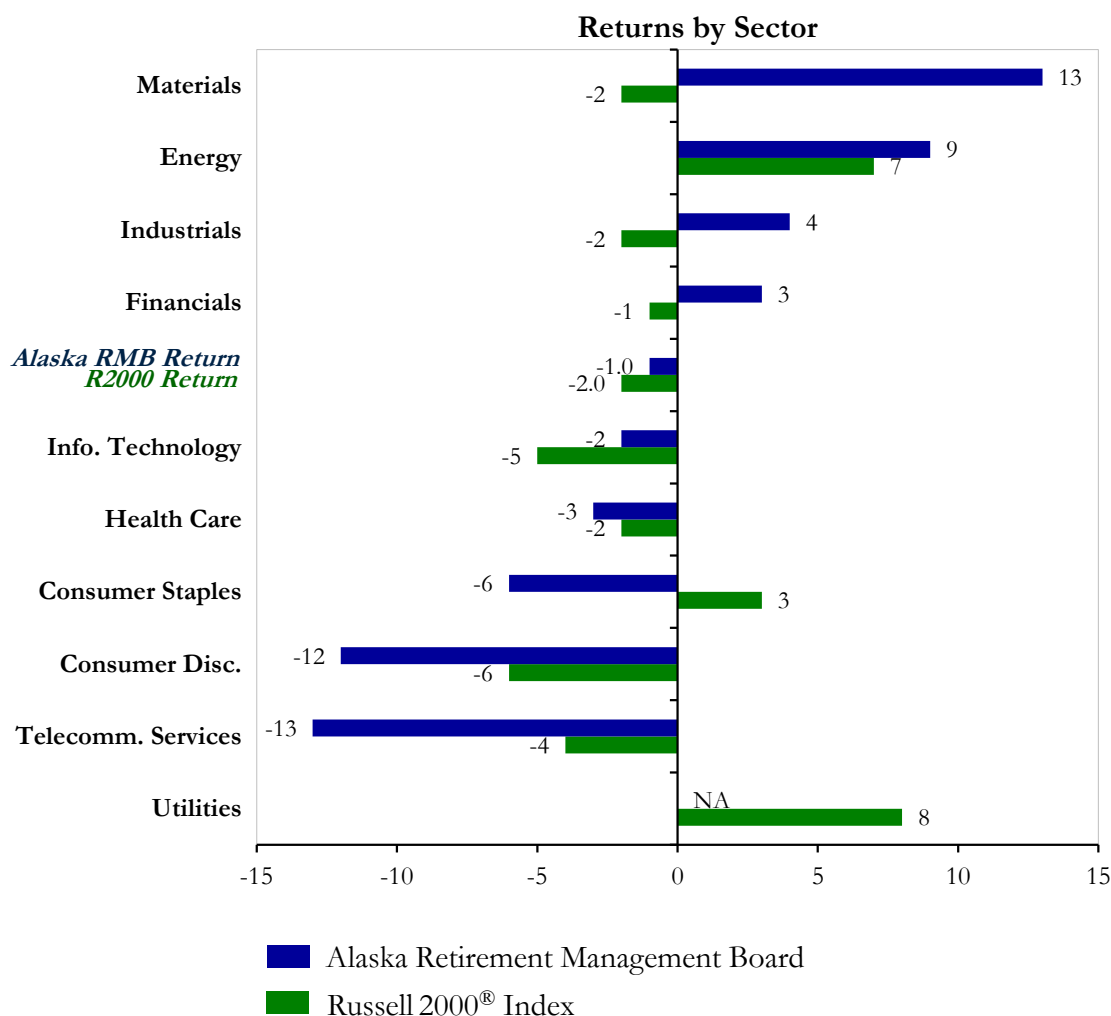
*Inception of Alaska Retirement Management Board portfolio: 5/2/05.*

*See Notes 4, 5, 6, 7 & 8 in the Appendix.*

*Past performance does not guarantee future results.*

# Returns by Sector/Portfolio Performance Commentary

January 1, 2014 to May 31, 2014, Gross of Fee



## Performance Commentary

- The Russell 2000® Index (the index) lost 2.0% so far this year. Sector results were mixed with Utilities and Energy gaining the most ground and Consumer Discretionary and Information Technology posting the largest declines. Small caps (Russell 2000®) lagged large caps (Russell 1000®) by nearly 7%.
- The portfolio outperformed the index.
- In the portfolio, stock selection in Industrials and Financials contributed meaningfully to relative gain driven primarily by our holdings in commercial banks.
- Security choices in Information Technology and Materials also contributed to outperformance.
- Stock selection in the Consumer sectors detracted the most from relative results, as did not having exposure in Utilities.

NA: Not Applicable. The Portfolio did not own securities in this sector for the time period shown.

Source for data: FactSet.

See Notes 4, 6, 7, 9, 10 & 11 in the Appendix.

Past performance does not guarantee future results.

# Largest Absolute Impact

January 1, 2014 to May 31, 2014, Gross of Fee

Alaska Retirement Management Board				
		Average Weight	Total Return	Contribution to Return
<b><u>Top Five</u></b>	<b><u>Sector</u></b>			
Cavium Inc.	Information Technology	1.7%	42%	0.62%
Pacira Pharmaceuticals, Inc.	Health Care	1.7	35	0.50
Targa Resources Corp.	Energy	1.5	32	0.41
Spirit Airlines Inc.	Industrials	1.7	30	0.39
Centene Corporation	Health Care	1.3	26	0.32
<b><u>Bottom Five</u></b>	<b><u>Sector</u></b>			
DSW Inc.	Consumer Discretionary	1.1%	-41%	-0.52%
Fluidigm Corporation	Health Care	1.2	-28	-0.34
Cornerstone OnDemand, Inc.	Information Technology	1.0	-25	-0.28
Chefs' Warehouse Inc.	Consumer Staples	0.5	-37	-0.25
Air Methods Corporation	Health Care	1.2	-17	-0.24

Source for data: FactSet. The holdings identified do not represent all of the securities purchased, sold or recommended by Jennison.

See Note 10 in the Appendix for how the contribution to return was calculated.

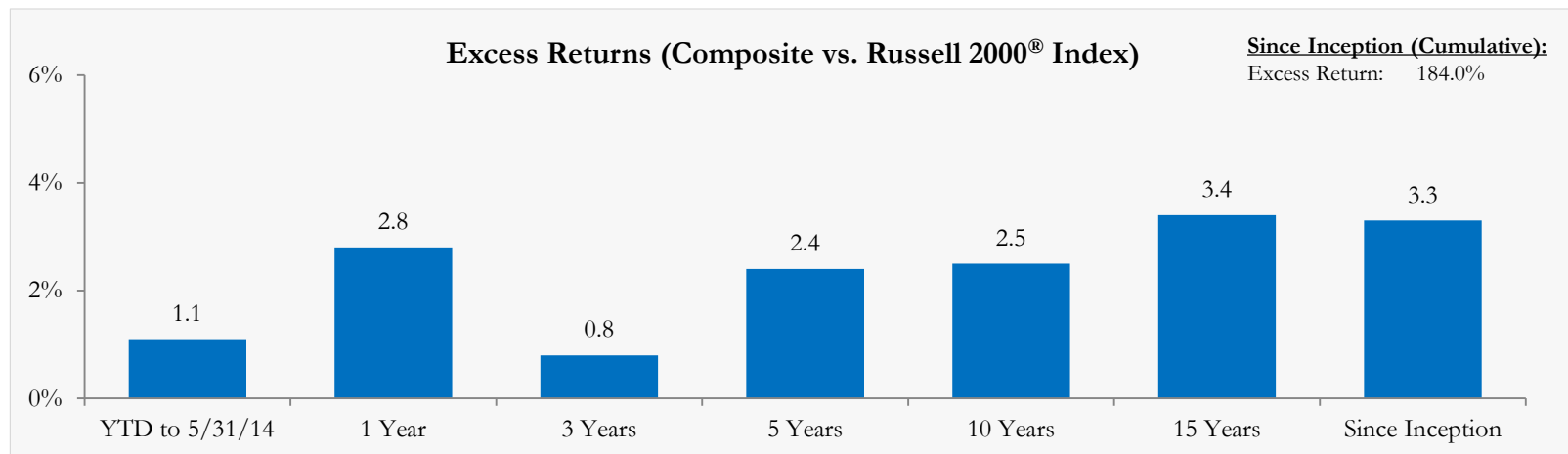
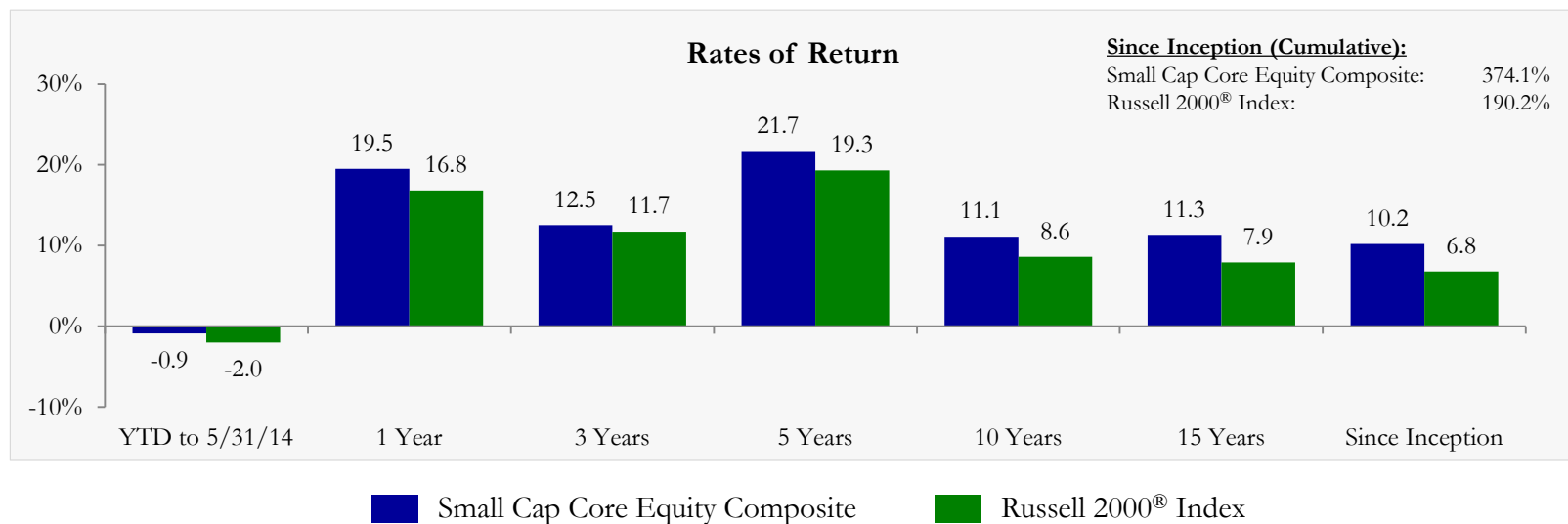
A complete list of holdings and how each contributed to the portfolio's return is available upon request.

See Notes 6, 7, 11, 12 & 13 in the Appendix.

Past performance does not guarantee future results.

# Performance Evaluation

*As of May 31, 2014, Gross of Fee*

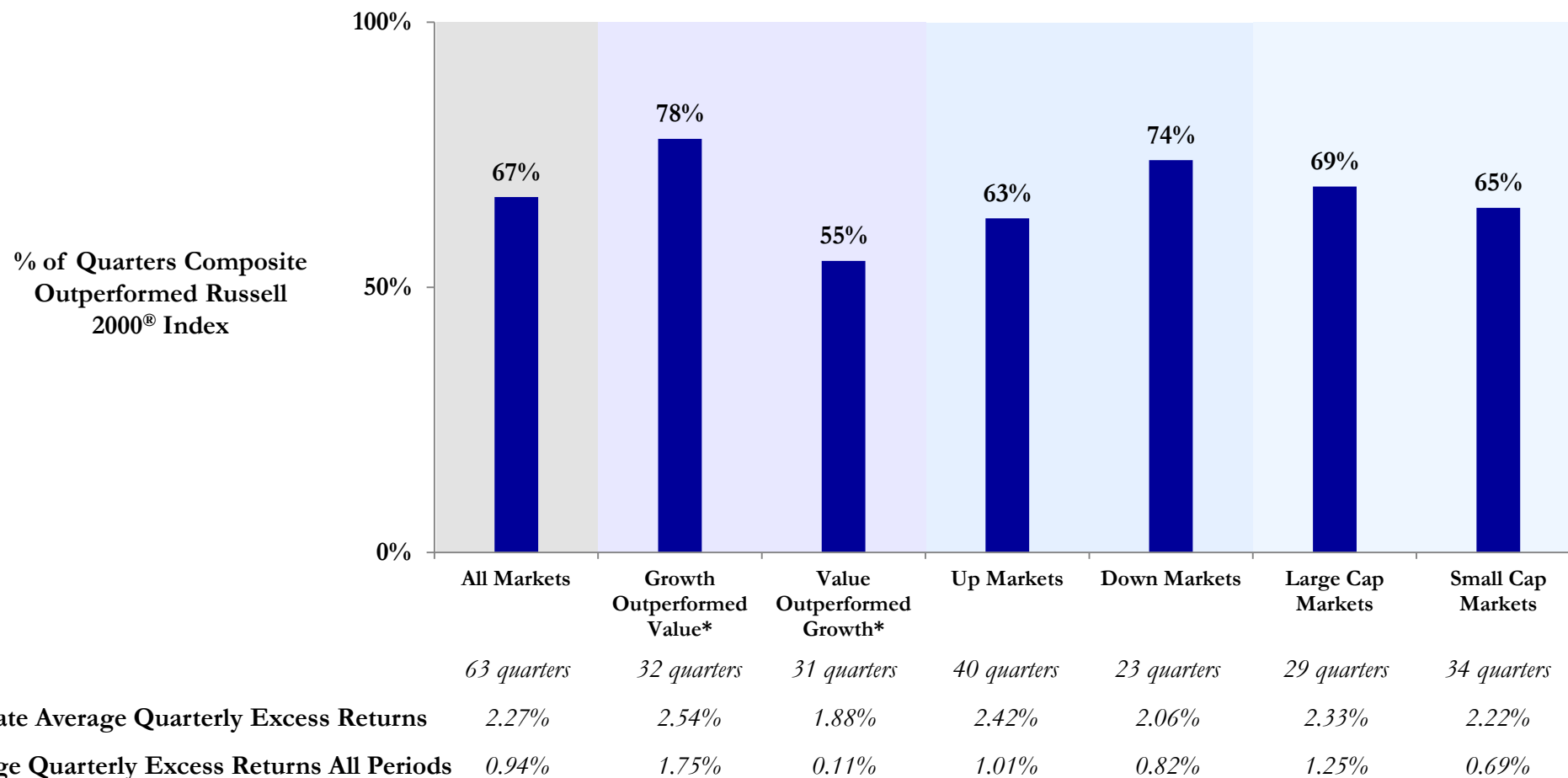


*Inception of Small Cap Core Equity Composite: 4/30/98. Periods greater than 1 year are annualized unless otherwise noted.  
 See Small Cap Core Equity Composite presentation and Notes 5, 6, 7 & 8 in the Appendix.  
 Past performance does not guarantee future results.*

# Performance In Different Market Conditions

*Small Cap Core Equity Composite Quarterly (Gross of Fee) vs. Russell 2000® Index*

*April 30, 1998 to March 31, 2014*



*\*Growth is measured by the Russell 2000® Growth Index. Value is measured by the Russell 2000® Value Index.*

*Inception of Small Cap Core Equity Composite: 4/30/98. See Small Cap Core Equity Composite presentation and Notes 4, 5, 6, 7 & 14 in the Appendix.*

*Past performance does not guarantee future results.*

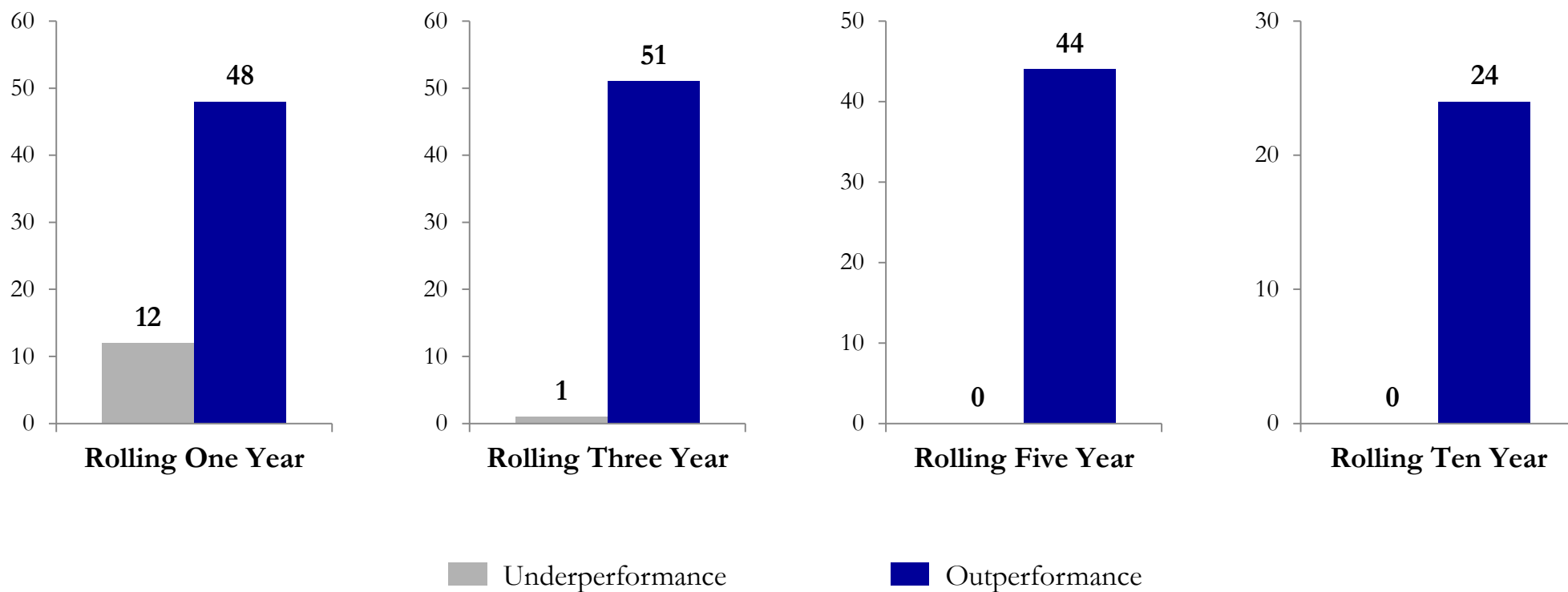
**JENNISON ASSOCIATES**



# Long-Term Outperformance

*Small Cap Core Equity Composite Quarterly (Gross of Fee) vs. Russell 2000® Index*

*April 30, 1998 to March 31, 2014*



*Inception of Small Cap Core Equity Composite: 4/30/98.*

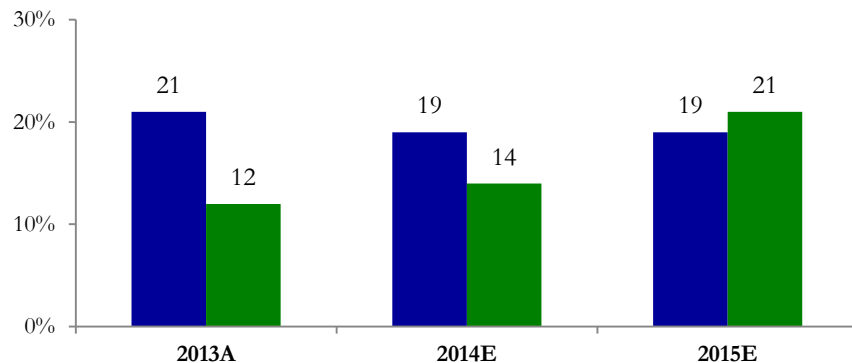
*See Small Cap Core Equity Composite presentation and Notes 5, 6 & 7 in the Appendix.*

*Past performance does not guarantee future results.*

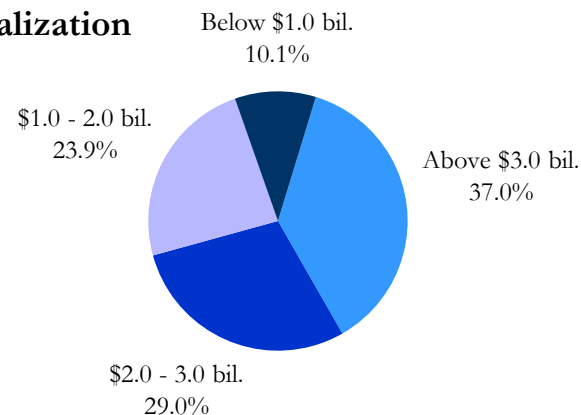
# Portfolio Characteristics

*As of May 31, 2014*

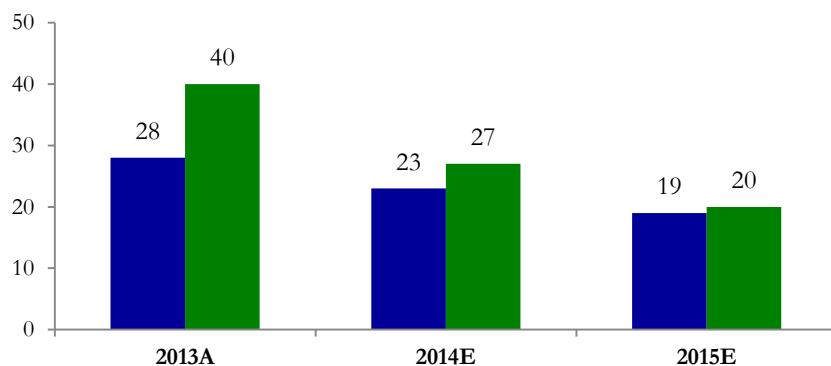
## EPS Growth



## Market Capitalization



## P/E



## Other Characteristics

	Alaska Retirement Management Board	Russell 2000® Index
Weighted Average Market Capitalization -	\$2.70 bil.	\$1.89 bil.
Active Share (vs. R2000®) -	92%	
Holdings-Based Barra Predicted Beta (vs. R2000®) -	0.90	
Number of Holdings -	121	
Estimated Annual Turnover -	40 - 60%	

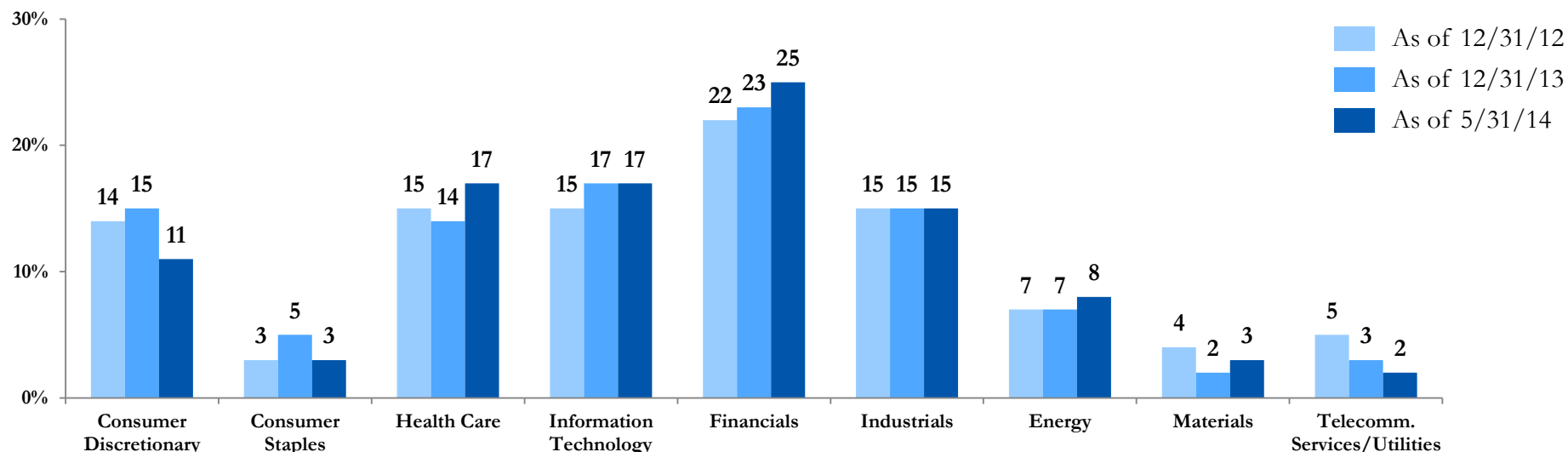
■ Alaska Retirement Management Board ■ Russell 2000® Index

Source for Active Share: FactSet.  
See Notes 4, 5, 6, 15 & 16 in the Appendix.

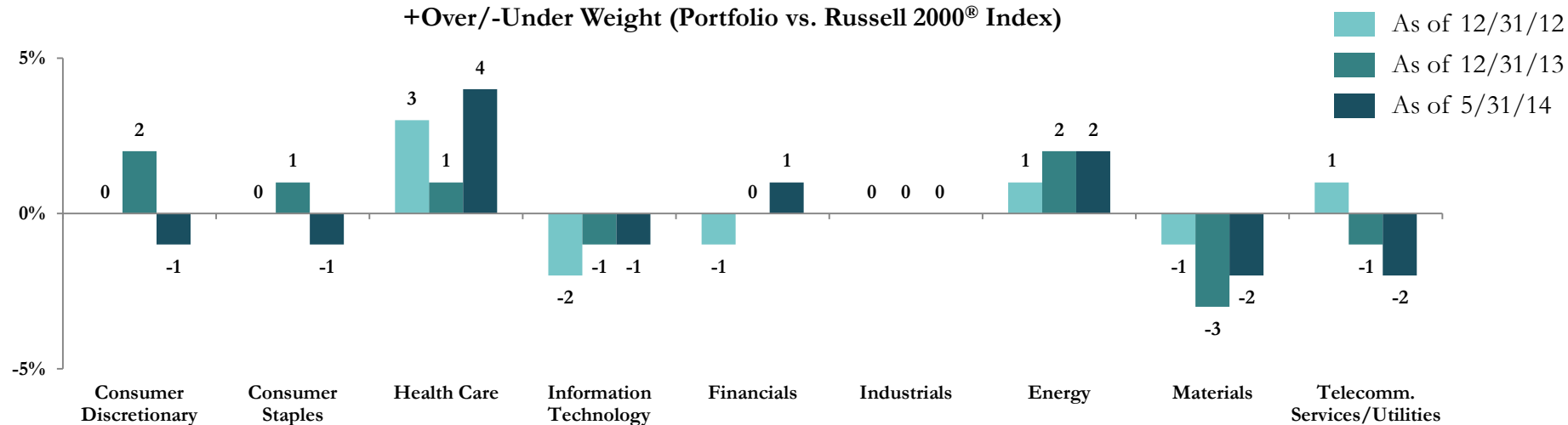
JENNISON ASSOCIATES

# Portfolio Sector Allocation

## Alaska Retirement Management Board



## +Over/-Under Weight (Portfolio vs. Russell 2000® Index)



Data shown above represents % of Equity.

For ease of reference, certain similar GICS sectors have been grouped together.

See Notes 4, 5, 6 & 11 in the Appendix.

# Largest Equity Holdings

*Alaska Retirement Management Board as of May 31, 2014*

<b><u>Security</u></b>	<b><u>% of Portfolio</u></b>	<b><u>Sector</u></b>	<b><u>P/E Cal Yr. 2014E</u></b>	<b><u>P/E Cal Yr. 2015E</u></b>	<b><u>Est. 3 Yr. Normalized Growth Rates</u></b>	<b><u>Purchased<sup>^</sup></u></b>
Cavium Inc.	1.9%	Information Technology	33x	24x	50%	2007
Protective Life Corporation	1.9	Financials	11	10	10	2008
Pacira Pharmaceuticals, Inc.	1.8	Health Care	NM	NM	25	2012
Spirit Airlines, Inc.	1.8	Industrials	20	16	25	2013
White Mountains Insurance Group Ltd.	1.7	Financials	15	14	10	2009
MFA Financial, Inc.	1.7	Financials	10	10	10	2007
East West Bancorp, Inc.	1.7	Financials	14	13	12	2013
Symetra Financial Corporation	1.7	Financials	12	10	10	2010
Global Payments, Inc.	1.7	Information Technology	15	13	12	2012
Targa Resources Corporation	1.6	Energy	41	33	22	2012
Rosetta Resources, Inc.	1.6	Energy	13	11	26	2011
Centene Corporation	1.5	Health Care	21	15	13	2010
Waddell & Reed Financial, Inc.	1.5	Financials	16	14	13	2009
Mobile Mini, Inc.	1.5	Industrials	39	21	15	2006
SemGroup Corporation	1.4	Energy	32	27	25	2013
Mattress Firm Holding Corporation	1.4	Consumer Discretionary	23	19	20	2012
Air Methods Corporation	1.4	Health Care	17	13	20	2008
Prosperity Bancshares, Inc.	1.3	Financials	14	13	15	2008
Heartland Express, Inc.	1.3	Industrials	23	19	15	2010
Signature Bank	1.3	Financials	20	17	15	2012

<sup>^</sup>Year reflects the period in which the security was most recently purchased and consistently held.

NM: Not Meaningful and applies to securities with P/Es greater than 50 or less than 0.

See Notes 11, 12, 13, 17 & 18 in the Appendix.

# Top Five Transactions

*Alaska Retirement Management Board*

*January 1, 2014 to May 31, 2014*

Positions New	
Security	% of Portfolio
Cytec Industries Inc.	0.72
ACADIA Pharmaceuticals Inc.	0.61
Receptos, Inc.	0.60
ICON PLC	0.51
TrueBlue, Inc.	0.44

Positions Eliminated	
Security	% of Portfolio
Dresser-Rand Group, Inc.	0.68
Harris Teeter Supermarkets, Inc.	0.68
SodaStream International Ltd.	0.66
SBA Communications Corporation	0.63
Moog Inc.	0.62

Positions Increased	
Security	% of Portfolio
Rexnord Corporation	0.75
BankUnited, Inc.	0.65
PDC Energy, Inc.	0.50
Global Payments Inc.	0.46
Western Refining, Inc.	0.46

Positions Decreased	
Security	% of Portfolio
Eaton Vance Corp.	1.10
Cavium Inc.	0.94
Pinnacle Entertainment, Inc.	0.90
Cinemark Holdings, Inc.	0.84
The Hain Celestial Group, Inc.	0.84

*Largest securities purchased, eliminated, increased or decreased during the period, based on each transaction's value (net of costs) divided by the average market value of the portfolio.*

*See Notes 12 & 13 in the Appendix.*

# Portfolio Outlook

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- We are optimistic that company fundamentals will be rewarded in 2014.
  - We see greater overall strength in the economy than over the last two years.
  - In the broad market, multiple expansion has far outpaced earnings growth. Margins continue to move higher, leaving less room for additional expansion.
  - Decrease in Fed stimulus and normalization of fiscal policy should alleviate some macro tailwinds.
- Companies have generally been able to reduce costs enabling them to expand margins and grow earnings at or above double digit rates despite the lackluster economy.
  - We think this level of earnings growth will be an increasing challenge for most companies and expect more disappointing earnings results and/or conservative guidance for future growth prospects.
  - In this environment, finding those companies with above-average growth and/or better visibility in their business model will be more difficult and crucial to outperformance.
- Cash levels on corporate balance sheets remain at historically high levels.
  - We expect companies to continue to return cash to shareholders through increased dividends and share repurchases.
  - We believe Mergers & Acquisitions activity will continue.
- Our industry weights continue to be very balanced relative to the index. We continue to favor secular growth companies over cyclical stocks.
  - Certain cyclical companies that can benefit from secular trends, gain market share, support industrial demand growth, and exploit economic efficiencies are increasingly attractive.
  - We are modestly overweight in Health Care and seek to invest in companies delivering on unmet medical needs in both biotech and specialty pharmaceutical industries.

# Appendix

# Performance Analysis

*Small Cap Core Equity Composite Gross of Fee vs. Russell 2000® Index*  
*As of May 31, 2014*

## Annualized Performance and Statistics

<i>Based on Monthly Returns</i>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
<b>Annualized Returns</b>					
Small Cap Core Equity Composite	19.5%	12.5%	21.7%	11.1%	11.3%
Russell 2000® Index	16.8	11.7	19.3	8.6	7.9
Excess Returns	2.8	0.8	2.4	2.5	3.4
Annualized Standard Deviation (Composite)	10.3%	15.9%	16.8%	18.8%	19.9%
Annualized Standard Deviation (Russell 2000® Index)	12.2	16.7	18.0	19.6	20.4
Sharpe Ratio (Composite)	1.9	0.8	1.3	0.5	0.5
Sharpe Ratio (Russell 2000® Index)	1.4	0.7	1.1	0.4	0.3
<i>Composite vs. Russell 2000® Index</i>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>
Annualized Tracking Error	3.5%	3.6%	3.5%	4.2%	7.1%
Information Ratio	0.8	0.2	0.7	0.6	0.5
Annualized Alpha	5.28%	1.47%	3.48%	2.87%	3.94%
Performance-Based Historical Beta	---	0.93	0.92	0.94	0.91
R Squared	93%	95%	96%	95%	88%

*Inception of Small Cap Core Equity Composite: 4/30/98.*

*See Small Cap Core Equity Composite presentation and Notes 5, 6, 7 & 19 in the Appendix.*

*Past performance does not guarantee future results.*



# Biographies - Small and Mid Cap Investment Team

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**John P. Mullman, CFA, *Managing Director, Head of Small and Mid Cap Equity & Small, SMid, and Mid Cap Equity Portfolio Manager*** ♦ John Mullman joined Jennison Associates in August 2000 when Prudential's public equity asset management capabilities merged into Jennison. John has been managing institutional small cap portfolios since 1996 and was named Portfolio Manager of the Prudential Jennison Small Company Fund in May 2000. He was also named Portfolio Manager for the Prudential Jennison Mid Cap Growth Fund in 2005. *Barron's* magazine named John one of the top 100 mutual fund managers in 2006, 2007, and 2008. John joined Prudential in 1987 as an associate in the corporate finance group, where he originated a variety of private placement investments, including fixed rate debt securities, leveraged buyouts, Employee Stock Ownership Plan (ESOP) financings, and asset-backed investments. From 1991 to 1995, John was a vice president in Prudential's financial restructuring group, managing a \$500 million portfolio of privately-placed debt and equity securities in financially troubled or over-leveraged companies. He managed the workouts of more than 20 distressed investments through a variety of out-of-court restructurings, bankruptcies, and complex recapitalizations. The bulk of the investments were in companies with market capitalizations below \$1 billion. Through his private equity and workout experience, John has served on the boards of directors of three public and private firms and has worked closely with management in developing and implementing strategic growth plans for several small cap companies. Over the course of his career, John has worked with a wide variety of small companies, industries, LBO sponsors, and financial intermediaries and has developed an in-depth knowledge of business assessment and valuation methodologies. John received a BA in economics from the College of the Holy Cross and an MBA from Yale University. He is also a member of The New York Society of Security Analysts and CFA Institute.

**Jason M. Swiatek, CFA, *Managing Director & Small and SMid Cap Equity Portfolio Manager*** ♦ Jason Swiatek joined Jennison Associates in August 2000 when Prudential's public equity asset management capabilities merged into Jennison. He was named co-manager of Small Cap portfolios in September 2005 and co-manager of SMid Cap portfolios in November 2013. Jason joined Prudential in 1995 as a financial reviewer for the asset management group. In 1996, he moved to Prudential's global growth equities team before joining the Small Cap equity team in January 1999. Prior to Prudential, Jason worked at Munistat/PFA, Inc. and the Center for Entrepreneurship. Jason received a BS, summa cum laude, in finance from Canisius College. He is a member of the New York Society of Security Analysts and CFA Institute.

**Benjamin F. Bryan, CFA, *Managing Director & Equity Research Analyst*** ♦ Benjamin Bryan joined Jennison Associates in August 2000 when Prudential's public equity asset management team merged into Jennison. Ben was a broker in the retail division of Waterhouse Securities before joining Prudential as a trader for the Prudential individually managed accounts group in 1997. He moved to Prudential's US emerging growth equity team in November 1999. Currently, as a member of Jennison's equity research team, Ben focuses primarily on small to mid cap growth stocks. Ben received his BS from the State University of New York College at Oswego and is a member of The New York Society of Security Analysts.

**Jodi I. Love, *Managing Director & Equity Research Analyst*** ♦ Jodi Love joined Jennison Associates in April 2012 as an analyst covering consumer stocks with a focus on retail, restaurants, and apparel companies for the small and mid cap team. She came to Jennison after being with Balyasny Asset Management, where she was a senior equity analyst for consumer retail, beginning in 2008. From 2005 to 2008, she was a director, equity research for retail softlines at Oppenheimer & Co. Prior to that, she was an equity research associate, covering retail softlines, for Lehman Brothers. She has also been a merchandise analyst for Saks Fifth Avenue Enterprises. She began her career as an investment banking analyst for global real estate and lodging at J.P. Morgan Securities. Jodi received her BA with first class honors from McGill University. She received an associate's degree in applied science and fashion merchandising management with highest honors from the Fashion Institute of Technology.

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**Steven P. McNeil**, *Managing Director & Equity Research Analyst* ♦ Steve McNeil joined Jennison Associates in June 2004. Prior to Jennison, Steve was an equity research analyst at State Street Research & Management for three years. His responsibilities included coverage of the multi-industry, electrical equipment, airline, and aerospace/defense industries. During the summer of 2000, Steve was with Wellington Management, where he was an analyst covering the Internet travel industry. Prior to that, he was with Midtown Research Group as an equity analyst covering the media/broadcasting, retail, health care, and technology sectors. Steve was also a financial analyst in the health care group at Salomon Smith Barney from 1996 to 1998. He received a BS in finance and accounting, cum laude, from Northeastern University. Steve received an MBA from the Tuck School of Business at Dartmouth and is a certified public accountant.

**Sheetal M. Prasad, CFA**, *Managing Director & Equity Research Analyst* ♦ Sheetal Prasad joined Jennison in October 2007. Prior to Jennison, Sheetal was a small and mid cap health care equity research analyst at DWS Scudder Investments, a division of Deutsche Bank. She began her equity research career in 2000 as an associate at Bear, Stearns & Co., where she worked with the medical device research team. Sheetal received a B S in biology from Georgetown University. She is a member of The New York Society of Security Analysts and CFA Institute.

**Eric Sartorius, CFA**, *Managing Director & Equity Research Analyst* ♦ Eric Sartorius joined Jennison Associates in March 2013 as a research analyst covering small and mid cap information technology companies. He was previously with Allianz Global Investors, where he was a portfolio manager and information technology senior research analyst on the small and mid cap growth investment team. He began his investment career as a research associate covering information technology stocks at Fred Alger Management. Eric received a BA in political economics from Williams College.

**Jonathan M. Shapiro**, *Managing Director & Equity Research Analyst* ♦ Jonathan Shapiro joined Jennison Associates in June 2006. Prior to Jennison, Jonathan was at Goldman Sachs where he was a vice president and head of the small companies/special situations research group, actively covering small and mid cap stocks in multiple industries, including consumer, industrial, and business services. Jonathan started as an associate with Goldman in 2001 and spent his entire tenure within the small companies/special situations research group. From 1997 to 1999, Jonathan worked at KPMG Consulting as a senior consultant for the real estate and hospitality group. Jonathan also worked with Jones Lang Wootton Realty Advisors (now ING Clarion) from 1995 to 1997 as a senior analyst. Jonathan received his BA with high honors in history from Dartmouth College. He received an MBA from The Wharton School at the University of Pennsylvania.

**Kelly Thomas**, *Managing Director & Equity Research Analyst* ♦ Kelly Thomas joined Jennison in November 2006 as a research assistant on the Small/Mid Cap team. She was promoted to principal in December 2009 and research analyst in December 2011. She covers primarily the consumer staples, health care, and software industries as well as real estate investment trusts (REITs). Prior to Jennison, Kelly worked at Metro International as a traffic coordinator, with advertising sales and production layout responsibilities. She received her BA in studio art from Dartmouth College.

# Biographies - Client Relationship Management

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**Joseph M. Carrabes**, *Managing Director, Head of Institutional Sales & Client Service* ♦ Joseph Carrabes joined Jennison Associates in March 2006. Prior to joining Jennison, Joe was managing director and director of institutional sales and relationship management at Putnam Investments. While managing Putnam's Global Institutional Management sales effort, he was responsible for the management of all sales and client service professionals in the US and worked with Putnam's largest clients. He joined Putnam in 1993 as a client service associate serving as a liaison between institutional clients and Putnam Institutional Management. Prior to Putnam, Joe was a senior financial services officer and senior financial analyst for The Boston Company/Boston Safe Deposit and Trust Company. Joe graduated from Villanova University with a BS in business administration.

**Karen E. McQuiston, CFA**, *Managing Director, Head of Institutional Client Strategy* ♦ Karen McQuiston joined Jennison Associates in May 2010. Prior to joining Jennison, Karen was vice president of the Pensions, Endowments and Foundations Group at Goldman Sachs where she was responsible for developing and managing relationships with major US corporate and public pension plans. Previously, Karen headed the Strategic Investment Advisory Group at JPMorgan Investment Management. She started her investment management career at Salomon Brothers Asset Management in the Quantitative Research Group, developing customized asset allocation and asset/liability studies for institutional clients. Karen received a BS in agricultural economics from Cornell University and an MA in biology from the University of California, Santa Cruz. She is a member of the CFA Institute.

**Peter L. Clark**, *Managing Director, Portfolio Specialist* ♦ Peter Clark joined Jennison Associates in December 2011. He is a portfolio specialist currently responsible for the Global Equity product and Jennison's international sales and client service. Peter has 25 years of experience in financial markets. Before joining Jennison, he was a partner and the head of distribution and product development at The Rohatyn Group (TRG). Prior to TRG, he served as head of emerging market equity at Schroder Investment Management in London before becoming the chief executive officer and chairman of Schroder's Americas business. Peter started his career at JPMorgan, where he held positions that spanned sell-side and buy-side groups in fixed income, sovereign advisory, capital markets, and proprietary trading. In his final role at JPMorgan, he headed the emerging markets strategies at JPMorgan Investment Management. Peter earned an AB in history and government from Harvard College.

**P. MacKenzie Hurd, CFA**, *Managing Director, Consultant Relations* ♦ MacKenzie Hurd joined Jennison Associates in November 2013 and is responsible for developing and managing consulting relationships. Prior to joining Jennison, MacKenzie was a principal and director of client service and consultant relations at Rainier Investment Management, since 2011. From 2007 to 2011, he was with The Capital Group Companies, where he was a consultant relationship manager. MacKenzie was a partner and general consultant at Callan Associates in San Francisco from 2001 to 2007. He received his BA in English from Dartmouth College and is a CFA charterholder.

**Richard K. Mastain**, *Managing Director, Portfolio Specialist* ♦ Rick Mastain joined Jennison Associates in November 2000. He is a portfolio specialist currently responsible for institutional client service. He began his career as a marketing officer at IBM in 1977. In 1981, he joined Scudder, Stevens & Clark as a portfolio manager and marketing officer for the fixed income group responsible for short term fixed-income instruments serving corporate clients. From 1983 to 1986, Rick was a regional vice president at The Pacific Century Group responsible for developing plan sponsor relationships in the Midwest. From 1986 to 1993, he was at Prudential Asset Management Company as co-managing director of national sales and marketing and in 1993, he joined Dreman Value Advisor/Zurich Investment Management as a managing director and partner. At Dreman, Rick served on the investment committee and managed value equity portfolios for clients in addition to being responsible for client service and marketing. Rick received his BA in American history with a minor in economics from Bowdoin College. Rick was a board member of Noble International from 1997 to 2001.

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**Daniel J. Nichols, Managing Director, Portfolio Specialist** ♦ Dan Nichols joined Jennison in August 2004. He joined the institutional client relationship management team in January 2006 and is a portfolio specialist responsible for client service. Before joining the institutional team at Jennison, Dan was responsible for relationships with subadvisory clients, managed account and mutual fund platforms, and retail distribution channels with respect to Jennison's Large Cap Growth, Mid Cap Growth, Small/Mid Cap Core, Technology, and Health Sciences capabilities. Prior to Jennison, he was director of portfolio management at NetBank. His responsibilities have included corporate finance, derivatives, capital markets, institutional and retail product sales, balance sheet and portfolio management, and trading and risk management. Dan also served in the US Navy for nine years as a Surface Warfare Officer. Dan graduated, summa cum laude, from the University of Pennsylvania with a BS in systems engineering and received his MBA from the University of Arizona.

**Peter H. Reinemann, CFA, Managing Director, Client Relationship Management** ♦ Peter Reinemann joined Jennison Associates in 1992 as a member of the opportunistic equity and balanced portfolio management group. He was named associate portfolio manager of the Prudential Jennison Growth Fund in 1995. In 2000, Peter assumed responsibility for client relationship management and added institutional equity marketing for both Jennison Associates and Quantitative Management Associates to his duties. Prior to joining Jennison, Peter was a vice president at Paribas Asset Management where he was responsible for developing the firm's global asset allocation, global fixed income, and regional equity asset management activities in North America. Peter also served with Contravisory Research, an institutional equity research and investment management firm. He received his BA, cum laude, from Boston University. Peter is a member of The New York Society of Security Analysts, CFA Institute, and the Association of Investment Management Sales Executives. He is also a member of the Parents Council at the University of Richmond.

**Kerry Ann Shanley, CFA, Managing Director, Client Relationship Management** ♦ Kerry Shanley joined Jennison Associates in June 1988. She is Head of consultant relations and responsible for institutional client service and new business activities. Kerry graduated from Mary Washington College with a BS, magna cum laude, in business administration. She received an MBA with honors from Columbia University. She is a member of The New York Society of Security Analysts, CFA Institute, and Association of Investment Management Sales Executives.

# Biography - Portfolio Specialist

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**Jeffrey T. McCarthy**, *Managing Director, Portfolio Specialist* ♦ Jeff McCarthy joined Jennison in December 2000 and represents Jennison's growth capabilities - including Large-Cap Growth, Mid-Cap Growth, Small Cap Core, Global, International Growth and Health Sciences. Jeff works closely with Jennison's portfolio managers and analysts providing strategic commentary and portfolio updates to Jennison's retail, subadvisory, and institutional clients. Prior to Jennison, Jeff worked for Prudential Investments' mutual fund product development and management group, where he was responsible for all equity portfolio management related written materials and presentations from 1997 to 2000. Jeff began his career in 1996 working for First Investor's Corporation. Jeff received his BS in business administration from St. John's University.

# Notes

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These materials may not take into account all individual client circumstances, objectives or needs. Jennison makes no representations regarding the suitability of any securities, financial instruments or strategies described in these materials for particular clients or prospects.

These materials do not purport to provide any legal, tax or accounting advice.

- 1 Jennison's core capabilities (Large Cap Growth Equity Composite - Russell 1000® Growth Index, Opportunistic Equity Composite - Russell 3000® Index, Utility Equity Composite - S&P Composite 1500 Utilities Index, Small Cap Core Equity Composite - Russell 2000® Index, Large Cap Value Equity Composite - Russell 1000® Value Index, Global Equity Opportunities Composite - MSCI All Country World Index, Active Long Treasury/Agency Fixed Composite - Active Long Treasury/Agency Custom Benchmark) have outperformed their relevant benchmark, gross of fees, since their respective inception dates as of March 31, 2014.
- 2 Jennison Associates LLC began offering its Large Cap Growth Equity strategy to institutional clients in July of 1969. Since the firm's inception, the Large Cap Growth Equity institutional composite has outperformed the S&P 500 Index and the Russell 1000® Growth Index (since the index's inception, gross of fees) through March 31, 2014.
- 3 Due to rounding, individual product assets may not sum to total AUM shown.
- 4 The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index. The **Russell 1000® Index** measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 92% of the total market capitalization of the Russell 3000® Index. The **Russell 2000® Growth Index** measures the performance of those Russell 2000® companies with higher price-to-book ratios and higher forecasted growth values. The **Russell 2000® Value Index** measures the performance of those Russell 2000® companies with lower price-to-book ratios and lower forecasted growth values. The financial indices referenced herein are provided for informational purposes only. When comparing the performance of a manager to its benchmark(s), please note that the manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. Indices referenced in this presentation are registered trade names or trademark/service marks of third parties. References to such trade names or trademark/service marks and data is proprietary and confidential and cannot be redistributed without Jennison's prior consent. Investors cannot directly invest in an index.
- 5 Unless otherwise noted, source for Russell® Index data: Mellon Analytical Solutions or FactSet.
- 6 Certain information in this document has been obtained from sources that Jennison believes to be reliable as of the date presented; however, Jennison cannot guarantee the accuracy of such information, assure its completeness, or warrant such information will not be changed. The information contained herein is current as of the date of issuance (or such earlier date as referenced herein) and is subject to change without notice. Jennison has no obligation to update any or all such information; nor do we make any express or implied warranties or representations as to the completeness or accuracy.
- 7 Performance results are calculated in US dollars and reflect reinvestment of dividends and other earnings.
- 8 Due to rounding, calculations based on the returns provided may not result exactly in Excess Returns shown. **Excess Return** is the additional return generated by the portfolio or composite relative to the market index.
- 9 The views expressed herein are those of Jennison investment professionals at the time the comments were made. They may not be reflective of their current opinions, are subject to change without prior notice, and should not be considered investment advice.



# Notes

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- 10 **Average Weight** is the dollar value (price times the shares held) of the security or group, divided by the total dollar value of the entire portfolio displayed as a percentage. It is calculated as the simple arithmetic average of daily values. **Total Return** is the price change of a security or group including dividends accrued over the report period or the “in-portfolio return” which includes only the time period that each security was in the portfolio. **Contribution to Return** is the contribution of a security or group to the overall portfolio return. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period. **Stock Selection** is the portion of portfolio excess return attributable to choosing different securities within groups from the benchmark. A group’s security selection effect equals the average weight of the benchmark’s group times the total return of the portfolio’s group minus the total return of the benchmark’s group. It is calculated as the security weight multiplied by the daily security return linked daily across the reporting period.
- 11 The Global Industry Classification Standard (“GICS”) was developed by and is the exclusive property and a service mark of MSCI, Inc. (“MSCI”) and Standard & Poor’s Financial Services LLC (“S&P”) and is licensed for use by Jennison Associates LLC “as is”. As of October 1, 2009, Jennison Associates LLC (“Jennison”) does not reclassify securities classified by S&P/MSCI GICS. Only securities not classified by S&P/MSCI GICS will be classified by Jennison. Therefore, this report may include companies that have been classified by S&P/MSCI GICS or classified by Jennison. Companies classified by Jennison are not sponsored by the S&P/MSCI GICS classification system. Due to rounding, percentages may not sum to 100% or totals shown. If shown, the cash percentage represents trade date cash and cash equivalents.
- 12 These materials are not intended as an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services. These materials do not constitute investment advice and should not be used as the basis for any investment decision. There is no assurance that any securities discussed herein will remain in an account’s portfolio at the time you receive this report or that securities sold have not been repurchased. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.
- 13 The securities discussed do not represent an account’s entire portfolio and in the aggregate may represent only a small percentage of an account’s portfolio holdings.
- 14 A **Hit Rate** represents periods in which the Small Cap Core Equity Composite outperformed the Russell 2000® Index within each market segment. **All Markets** is represented by the Russell 2000® Index. A **Growth Market** is when the Russell 2000® Growth Index outperforms the Russell 2000® Value Index. A **Value Market** is when the Russell 2000® Value Index outperforms the Russell 2000® Growth Index. An **Up Market** is when the Russell 2000® Index return is positive. A **Down Market** is when the Russell 2000® Index return is negative. A **Large Cap Market** is when the Russell 1000® Index outperforms the Russell 2000® Index. A **Small Cap Market** is when the Russell 2000® Index outperforms the Russell 1000® Index. **Excess Return** is the additional return provided by the Small Cap Core Equity Composite over the Russell 2000® Index.
- 15 **Active Share** is the proportion of stock holdings in a representative account portfolio’s composition that was different from the composition found in its benchmark. The greater the difference between the asset composition of the portfolio and its benchmark, the greater the active share. Source for Barra Predicted Beta: Barra Aegis System. **Barra Predicted Beta** is the capitalization-weighted average of the individual constituent Barra predicted betas. Barra predicted beta is a forward-looking beta from Barra’s U.S. Equity Model. Portfolio **EPS Growth** and **P/E** are based on estimates determined by Jennison investment professionals. They are based on operating earnings per share and are subject to periodic change without prior notice. Although Jennison believes that the expectations reflected in such forward looking statements are based on reasonable assumptions it can give no assurance that its expectations will be achieved and actual results may differ materially from those projected. Portfolio EPS Growth is calculated considering the effect of stock option expenses. In cases where Jennison’s investment professionals believe it is inappropriate to include stock option expenses, the earnings estimates used in the calculation would not be adjusted for stock option expenses. EPS estimates used to calculate portfolio P/E will include the effect of stock option expenses, except in cases where Jennison’s investment professionals believe it is inappropriate to include stock option expenses. Index EPS Growth and P/E are calculated by Jennison using estimates from I/B/E/S. Portfolio and index EPS Growth are calculated using weighted average interquartile methodology. Portfolio and index P/E is calculated using harmonic mean methodology. The cash percentage represents trade date cash and cash equivalents. Market Capitalization ranges are determined by Jennison investment professionals.
- 16 Holdings-Based Barra Predicted Beta is based on a representative Jennison Small Cap Core Equity Portfolio. The representative portfolio was selected because it is in the institutional composite and we believe the holdings, characteristics and risk profile are representative of this strategy.

# Notes

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- 17 The characteristics of the individual securities in the portfolio are available upon request. The **P/E** and **EPS Growth** are estimates determined by Jennison investment professionals. They are based on operating earnings per share and are subject to periodic change without prior notice. Although Jennison believes that the expectations reflected in such forward looking statements are based on reasonable assumptions, it can give no assurance that its expectation will be achieved and actual results may differ materially from those projected. Portfolio EPS Growth is calculated considering the effect of stock option expenses. In cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses, the earnings estimates used in the calculation would not be adjusted for stock option expenses. EPS estimates used to calculate portfolio P/E will include the effect of stock option expenses, except in cases where Jennison's investment professionals believe it is inappropriate to include stock option expenses.
- 18 The Estimated 3 Yr Normalized Growth Rates are determined by Jennison investment professionals and are subject to periodic change.
- 19 All statistics are based on monthly gross of fee returns. **Annualized Return** is a compounded annualized total return based upon geometrically linking a return series.  $((1 + \text{rate of return}) * (1 + \text{rate of return}) \dots \text{etc.})$ . **Annualized Standard Deviation** is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The annualized standard deviation shows how far away numbers on a list are from their averages and takes that number and multiplies it by the square root of the frequency. For example, monthly frequency would multiply the standard deviation \* the square root of 12 ( 3.4641). The greater degree of dispersion, the greater degree of risk. **Sharpe Ratio** is the measure of risk adjusted returns. It is a risk-adjusted measure developed by Professor William F. Sharpe, which measures reward per unit of risk. The higher the Sharpe Ratio, the better. The numerator is the difference between the portfolio's annualized return and the annualized return of the risk-free instrument (T-Bills). The denominator is the portfolio's annualized standard deviation. It is the performance of the Composite less the performance of the risk-free instrument divided by the standard deviation of the Composite. **Excess Return** is the additional return provided by the composite over the relative market index. Due to rounding, calculations based on the returns provided may not result exactly in Excess Returns shown. **Tracking Error** is the standard deviation of the difference in monthly returns between the composite and the market index. **Information Ratio** is the excess return of the composite over the market index divided by the Tracking Error. **Alpha** is a risk (beta-adjusted) return measurement. If two managers had the same return, but one had a lower beta, that manager would have a higher alpha. **Beta** measures the volatility of the composite relative to the chosen risk market index. **R Squared** is used in style analysis to determine how much information about the composite return series the style benchmark has been able to capture. The higher the R-squared, the better the benchmark.



## Small Cap Core Equity Composite

### April 30, 1998 to December 31, 2013

Year Ended	Composite Gross of Fee Returns	Composite Net of Fee Returns	Russell 2000® Index Returns	Composite Assets (\$ in Millions)	# of Accounts	Standard Deviation (Equal- Weighted)	Total Firm Assets (\$ in Millions)
Since Inception to 12/31/98	-16.61%	-17.17%	-11.94%	\$ 96.1	3	N/A	\$ 46,357.8 <sup>1</sup>
1999	40.57	39.18	21.26	149.1	4	0.79	58,765.7 <sup>1</sup>
2000	0.62	-0.27	-3.02	1,132.3	7	N/A	80,264.2
2001	17.87	17.35	2.49	1,236.8	7	0.24	61,606.1
2002	-23.96	-24.30	-20.48	947.5	7	0.19	47,386.2
2003	47.26	46.59	47.25	1,344.3	7	0.50	58,056.0
2004	21.63	21.07	18.33	959.9	6	0.48	63,488.1
2005	11.08	10.51	4.55	1,342.4	10	0.49	71,278.1
2006	19.24	18.60	18.37	1,571.4	10	0.53	77,665.6
2007	6.93	6.36	-1.57	1,646.3	10	0.25	86,478.1
2008	-36.98	-37.35	-33.79	1,291.5	16	0.33	62,155.3
2009	35.32	34.50	27.17	1,546.3	11	0.43	93,316.5
2010	31.08	30.29	26.85	2,706.9	15	0.15	123,901.0
2011	-0.50	-1.09	-4.18	2,333.5	15	0.23	135,729.3
2012	14.20	13.48	16.35	2,120.9	13	0.28	156,514.8
2013	40.45	39.58	38.82	2,932.5	13	0.35	175,312.2

<sup>1</sup> This Composite was transferred to Jennison in August of 2000 as part of a merger of certain active public equity management strategies as described below. Therefore this Composite was not part of Jennison's historical assets under management. Total Firm Assets for 1998 and 1999 represents the assets under management of Jennison and does not include assets transferred from the Predecessor.

- Jennison Associates LLC (Jennison or the Firm) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Jennison has been independently verified for the period from January 1, 1993 through December 31, 2012. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Core Equity Composite ("Composite") has been examined for the period from May 1, 1998 through December 31, 2012. The verification and performance examination reports are available upon request.
- Jennison Associates LLC is an investment adviser registered under the Investment Advisers Act of 1940, as amended, and an indirect wholly owned subsidiary of Prudential Financial, Inc. ("Parent"). Registration does not imply a certain level of skill or training. Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, a company incorporated in the United Kingdom. In 2000, the Parent's predecessor ("Predecessor") reorganized and transferred certain active public equity asset management capabilities and personnel to Jennison Associates LLC resulting in the transfer of approximately \$27 billion in assets. Prior to January 1, 2006, the Firm assets of Jennison did not include assets managed through wrap fee programs (Jennison Managed Accounts or JMA). On January 1, 2006, Jennison redefined the Firm to include JMA assets, for all periods after January 1, 2006.
- The Composite contains assets that were transferred from the Predecessor. Jennison did not previously manage assets with a style similar to that of the Composite. The Composite inception date was April 30, 1998 and the Composite creation date under the GIPS standards was November 2000. The Small Cap Core Equity strategy seeks to buy both growth and value stocks using a research-intensive process that uses both fundamental research and a disciplined portfolio construction process. A list of Jennison's composite descriptions is available upon request. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
- Performance results are calculated in US dollars and reflect reinvestment of dividends and other earnings. Performance returns for periods prior to August 24, 2000 were achieved at and calculated by the Predecessor. All institutional account returns were calculated using a Modified Dietz methodology. The net of fee performance was calculated using the highest fee charged by the accounts' previous investment adviser, which was 100 basis points. Subsequently, net of fee performance is presented net of Jennison's actual advisory fees and transaction costs. Since August 24, 2000, gross of fee performance is presented before custodial and Jennison's actual advisory fees but after transaction costs. Returns are gross of reclaimable withholding taxes, if any, and net of non-reclaimable withholding taxes. For a small cap core equity separate account the fee schedule offered to US-based institutional clients is as follows: 0.90% on first \$50 million of assets managed; 0.70% on next \$50 million; 0.60% on next \$100 million; 0.50% on next \$200 million; 0.45% on the balance. Actual advisory fees charged and actual account minimum size may vary by account due to various conditions described in Jennison Associates LLC's Form ADV.

## Small Cap Core Equity Composite April 30, 1998 to December 31, 2013

5. The data presented represents past performance and does not guarantee future results. Performance results fluctuate, and there can be no assurances that objectives will be achieved. Client's principal may be at risk under certain market conditions.
6. The equal-weighted standard deviation of individual account returns within a composite is a measure of how consistently a strategy has been applied across accounts within a composite (Dispersion). The dispersion is calculated when there are at least two accounts in the Composite for a full year and is based on the Gross of fee annual returns of accounts in the Composite for the full year. For those periods where less than 2 accounts are in the Composite for a full year, or where the period is less than a full year, "N/A" is presented.
7. The three-year annualized standard deviation measures the variability of the composite and the benchmark over the preceding 36-month period. This measure is not required to be presented for annual periods ended prior to 2011 or when 36 monthly composite returns are not yet available.

	Composite Gross of Fee 3-Yr St Dev	Russell 2000® Index 3-Yr St Dev
Year	(%)	(%)
2009	24.54	24.83
2010	27.22	27.69
2011	22.80	24.99
2012	19.18	20.20
2013	15.70	16.45

8. The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 8% of the total market capitalization of the Russell 3000® Index. Index returns are not covered by the report of the independent verifier. The financial indices referenced herein are provided for informational purposes only. When comparing the performance of a manager to its benchmark(s), please note that the manager's holdings and portfolio characteristics may differ from those of the benchmark(s). Additional factors impacting the performance displayed herein may include portfolio-rebalancing, the timing of cash flows, and differences in volatility, none of which impact the performance of the financial indices. Financial indices assume reinvestment of dividends but do not reflect the impact of fees, applicable taxes or trading costs which may also reduce the returns shown. All indices referenced in this presentation are registered trade names or trademark/service marks of third parties. References to such trade names or trademark/service marks and data is proprietary and confidential and cannot be redistributed without Jennison's prior consent. Investors cannot directly invest in an index.

## Lord, Abbett & Co., LLC

**Mandate:** Small Cap Growth

**Hired:** 2013

Firm Information	Investment Approach	Total ARMB Mandate*
<p>Lord, Abbett &amp; Co. (“Lord Abbett”) was founded in 1929 and is an independent money management firm structured as a limited liability company. Currently, Lord Abbett has 65 executive members (“partners”).</p> <p>As of 3/31/14, the firm’s total assets under management were \$138.9 billion.</p> <p><b>Key Executives:</b>  <b>F. Thomas O’Halloran, J.D., CFA,</b>  <i>Partner &amp; Portfolio Manager</i>  <b>Arthur K. Weise, CFA, Partner,</b>  <i>Portfolio Manager of Growth Equity</i>  <b>Cinda Hughes, CFA, Partner, Client</b>  <i>Portfolio Manager</i>  <b>Nick Johnston, Director, Institutional</b>  <i>Investor Services</i></p>	<p>Lord Abbett seeks to own small cap growth companies that have the potential to transform markets through innovative products and services. Intensive fundamental and quantitative analysis helps Lord Abbett identify financially sound growth companies, while careful analysis of behavioral trends assists in determining optimal entry and exit points. Lord Abbett seeks to provide attractive risk-adjusted returns by complementing their bottom-up stock selection with top-down analysis and broad portfolio diversification.</p> <p><b>Benchmark:</b> Russell 2000 Growth Index</p>	<p><b>Assets Under Management:</b>  3/31/14                      \$135,432,089</p>

**Concerns:** None

3/31/14 Performance*				
	<u>Last Quarter</u>	<u>1-Year</u>	<u>3-Years</u> <u>Annualized</u>	<u>5-Years</u> <u>Annualized</u>
Manager (gross)	1.40%	N/A	N/A	N/A
Fee	0.26%			
Manager (net)	1.14%			
Benchmark	0.48%			

\*Source: Callan Associates Inc.



LORD ABBETT®

## SMALL CAP GROWTH EQUITY MANAGEMENT

*Alaska Retirement Management Board*

JUNE 27, 2014

**F. Thomas O'Halloran, J.D., CFA**  
Partner & Director

**Frank V. Paone, AIF, CIMA**  
Partner, Director of Institutional Investor Services

Lord Abbett  
90 Hudson Street  
Jersey City, NJ 07302



# TABLE OF CONTENTS

	<i>Page</i>
<b>Organizational Update</b>	<b>2</b>
<b>Investment Process</b>	<b>7</b>
<b>Portfolio Review</b>	<b>8</b>
Investment Performance	
Attribution Analysis	
Portfolio Characteristics	
<b>Appendix</b>	<b>14</b>
Quarterly Rates of Return	
Portfolio Holdings	
Investment Team Biographies	



LORD ABBETT

*A singular focus since 1929*

## Investment-Led

- Active management characterized by a deliberate process, teamwork, and collaboration
- Rigorous research that challenges consensus and identifies opportunities
- Comprehensive risk management that enhances investment decisions

## Investor-Focused

- Perspectives shaped and decisions sharpened by our independence
- Resources dedicated to the markets we serve
- Strategies intelligently designed to meet client needs



# LORD ABBETT AT A GLANCE

3

**Daria L. Foster**  
*Managing Partner*

**Client  
Services**

**Investment  
Services**

**Core  
Services**

**Robert I. Gerber, Ph.D.**  
*Partner, Chief Investment Officer*

**Fixed Income**

**Robert A. Lee**  
*Partner & Director*

**Municipal  
Fixed Income**

**Dan S. Solender, CFA**  
*Partner & Director*

**U.S. Equity  
Portfolio Management**

**13  
Portfolio Managers**

**U.S. Equity  
Research**

**David Linsen**  
*Partner & Director*

**International  
Equity**

**Vincent J. McBride**  
*Partner & Director*

**Quantitative  
Research**

**Walter H. Prah, Ph.D.**  
*Partner & Director*

**Equity Risk  
Management**

**Alec I. Crawford**  
*Partner, Chief Risk  
Officer*

12 Portfolio Managers  
3 Associate Portfolio  
Managers  
18 Credit Research  
Analysts  
7 Traders  
2 Research Analysts  
1 Portfolio Analyst

3 Portfolio Managers  
4 Associate Portfolio  
Managers  
7 Research Analysts

19 Centralized  
Large/Mid Cap  
Research Analysts  
10 Small/Smid Cap  
Research Analysts  
8 Traders

4 Portfolio Managers  
7 Research Analysts  
2 Traders

4 Research Analysts

2 Risk Officers

133 Investment Professionals with an average of 17 years industry experience

As of 03/31/2014.



# ORGANIZATIONAL STRUCTURE & INVESTMENT TEAMS

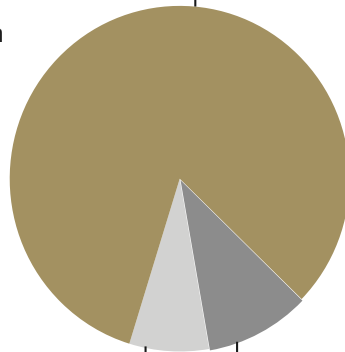
## \$139 BILLION IN ASSETS UNDER MANAGEMENT

Including more than \$1 billion from current and former partners, employees and their families

### EQUITY ASSETS: 34%

#### U.S. Equity<sup>1</sup>: \$42 billion

- Large to Micro Value
- Large Cap Core
- Large to Micro Growth
- Dividend Growth
- Equity Income



#### Multi-Asset<sup>1,2</sup>: \$5 billion

- Income
- Balanced Opportunity
- Growth
- Global Opportunity

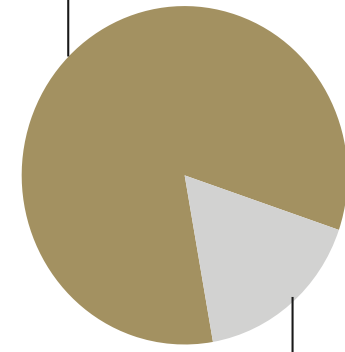
#### International: \$5 billion

- EAFE Plus
- ACWI Ex – U.S.
- Dividend Income
- Small Cap Core

### FIXED INCOME ASSETS: 66%

#### Fixed Income: \$76 billion

- Short Credit
- Government
- Core & Core Plus
- Corporate Credit
- Inflation Focused
- Bank Loan
- Multi-Sector
- High Yield
- Convertible
- Emerging Markets Corporate Debt
- Emerging Markets Currency
- Emerging Markets Local Bond



#### Tax Free Income: \$15 billion

- Short, Intermediate, & Long
- AMT Free
- State Specific
- High Yield

<sup>1</sup>Totals include fund-of-fund assets. <sup>2</sup>Includes allocation to fixed income assets.

Note: Assets under management data is as of 03/31/2014 unless noted and includes approximately \$1.4 billion for which Lord Abbett provides investment models to managed account sponsors. This material is for informational purposes only. It is not intended to be an offer or solicitation with respect to the purchase or sale of any security or other financial instrument or any investment management services. These materials do not constitute investment advice and should not be used as the basis for any investment decision.





# INVESTMENT OBJECTIVES AND GUIDELINES

## Alaska Retirement Management Board

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- Small Cap Growth

## Investment Objectives

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- Performance
  - Benchmark: Russell 2000® Growth Index
  - Return: Managers are expected to have returns, over time, in excess of the appropriate benchmark, net of fees
- Risk Objective
  - The portfolio will have a primary emphasis on diversification to minimize risk

## Investment Restrictions\*

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- No more than 10 percent of the voting stock of any corporation that is acquired or held
- Cash must remain below a maximum level of 5 percent, calculated using a 10-day moving average

\*Summary of material or significant investment restrictions only. Not intended to be a complete listing or review of account's investment guidelines.



# INVESTMENT TEAM

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## *Portfolio Management*

**F. Thomas O'Halloran, J.D., CFA**  
Partner & Director  
27 Years

**Arthur K. Weise, CFA**  
Partner, Portfolio Manager  
21 Years

**Vernon Bice**  
Associate Portfolio Manager  
13 Years

---

## *Research*

**Heidi Bush, CFA**  
Financials, Consumer  
27 Years

**Benjamin Ebel**  
Information Technology, Telecom  
22 Years

**Matthew R. DeCicco, CFA**  
Health Care  
15 Years

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## *Client Portfolio Management*

**Cinda C. Hughes, CFA**  
Partner  
28 Years



### *RISK MANAGEMENT*

**3 Risk Officers**  
14 Years\*



### *EQUITY RESOURCES*

**29 Additional Investment Professionals**  
20 Years\*

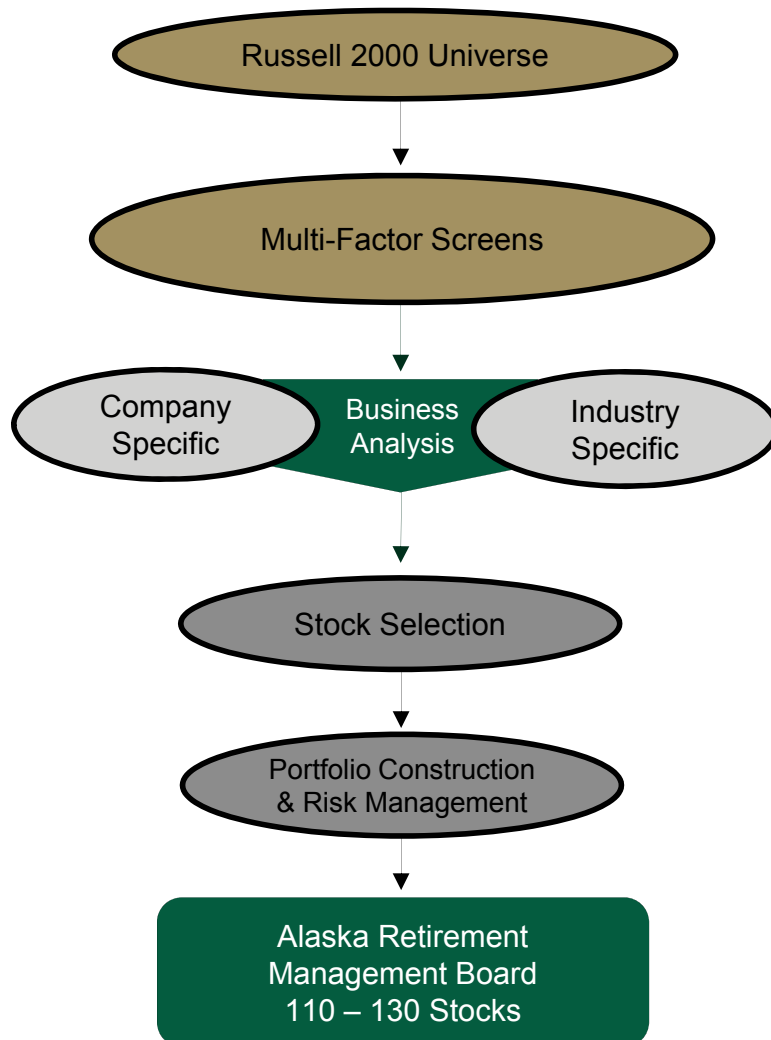


### *EQUITY TRADING*

**10 Equity Traders**  
27 Years\*



# INVESTMENT PROCESS



Screen universe for:

- Russell 2000 universe market cap range
- Double-digit revenue and earnings growth
- Conservative capital structure
- Preference for positive current earnings

Identify market-leading growth companies with:

- Sound business models
- Capable management
- Competitive advantages
- Favorable industry conditions

Develop company expectations and forecasts:

- Forecast revenue and earnings growth
- Predict market impact of future operating results

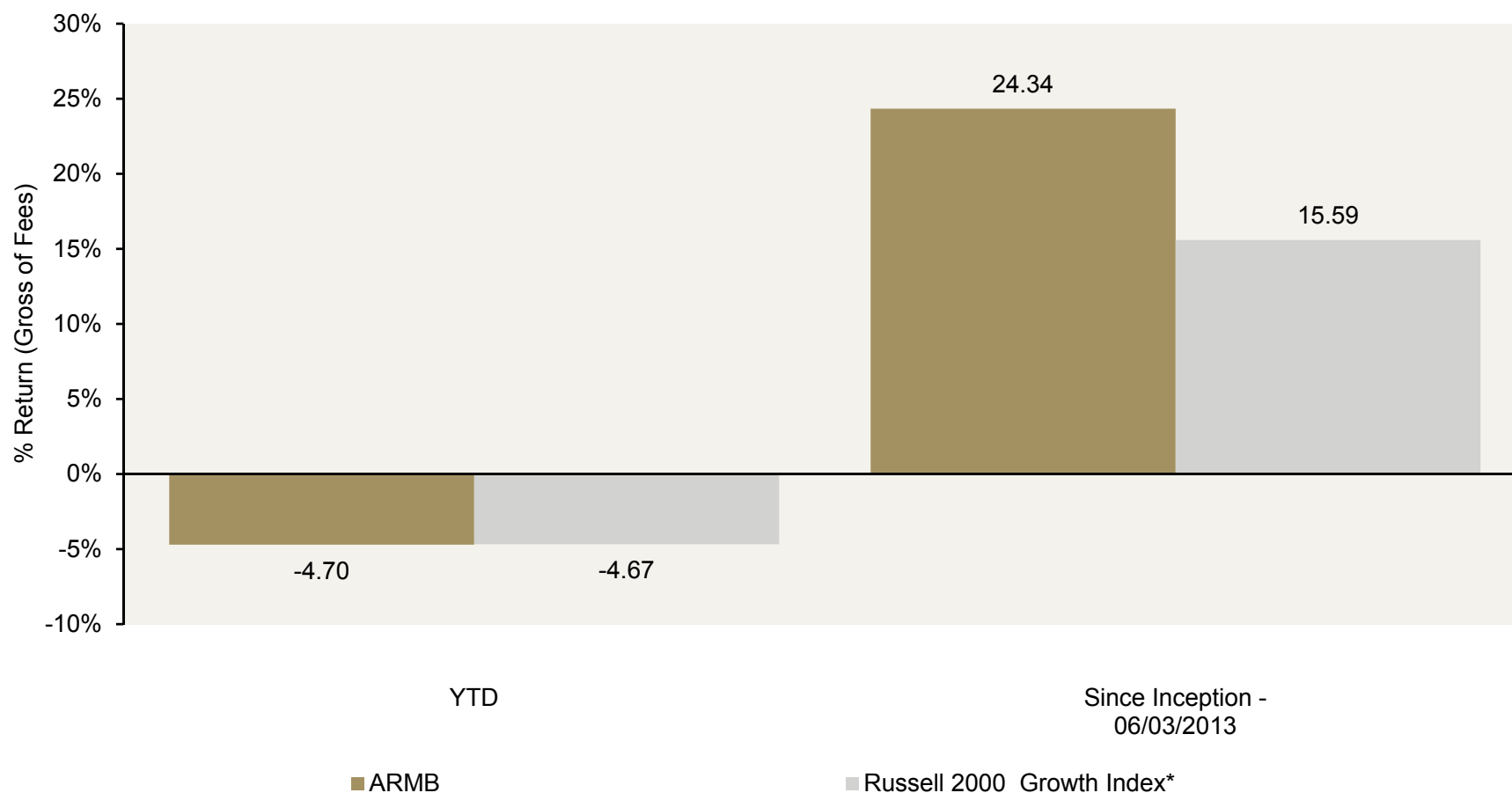
Construct and manage portfolio based on:

- Company quality and health of fundamentals
- Corroborating (confirm, validate) technical factors and market action
- Favored sectors, industries and market capitalizations
- Prudent diversification, liquidity and reasonable valuation support



# RATES OF RETURN

AS OF 04/30/2014



The information contained herein is being provided at your request and is intended solely for your review of the account and may not be used for any other purposes. Please note that the performance information is gross of advisory fees and other expenses, with the exception of brokerage commissions and/or mark-ups and mark-downs with respect to fixed income and/or over-the-counter securities transactions, if any.

\*Source: Russell.



# ATTRIBUTION ANALYSIS: YTD

AS OF 04/30/2014

Sectors*	ARMB		Russell 2000® Growth Index		Variance		
	Avg. Weight%	Base Rtn%	Avg. Weight%	Base Rtn%	Stock Selection%	Group Weight%	Total%
Health Care	20.5	-0.6	22.2	-5.6	1.2	0.3	1.5
Energy	5.3	23.3	3.8	8.1	0.5	0.4	0.9
Materials	3.7	20.3	5.1	-1.9	0.9	0.1	0.9
Industrials	14.2	0.4	15.4	-1.9	0.2	0.0	0.3
Telecommunication Services	0.0	0.0	0.9	-4.8	0.0	0.0	0.0
Utilities	0.0	0.0	0.1	-1.0	0.0	0.0	0.0
Consumer Staples	3.9	-2.1	4.8	1.9	-0.3	0.0	-0.3
Consumer Discretionary	13.8	-10.9	15.8	-8.4	-0.7	0.3	-0.5
Financials	8.4	-8.5	7.3	-3.0	-0.4	-0.1	-0.5
Information Technology	27.1	-15.3	24.7	-7.4	-2.1	0.0	-2.0
Cash	3.1	0.1	0.0	0.0	0.0	0.2	0.2
<b>Total</b>	<b>100.0</b>	<b>-4.2</b>	<b>100.0</b>	<b>-4.7</b>	<b>-0.7</b>	<b>1.1</b>	<b>0.5</b>

Source: Wilshire Atlas<sup>SM</sup> ("Wilshire"). Please see Appendix for information "About Wilshire" and the calculation of performance attribution information, including information about Not Classified securities. \*GICS Sectors. Sectors may include many industries.



# ATTRIBUTION ANALYSIS: SINCE INCEPTION

AS OF 04/30/2014

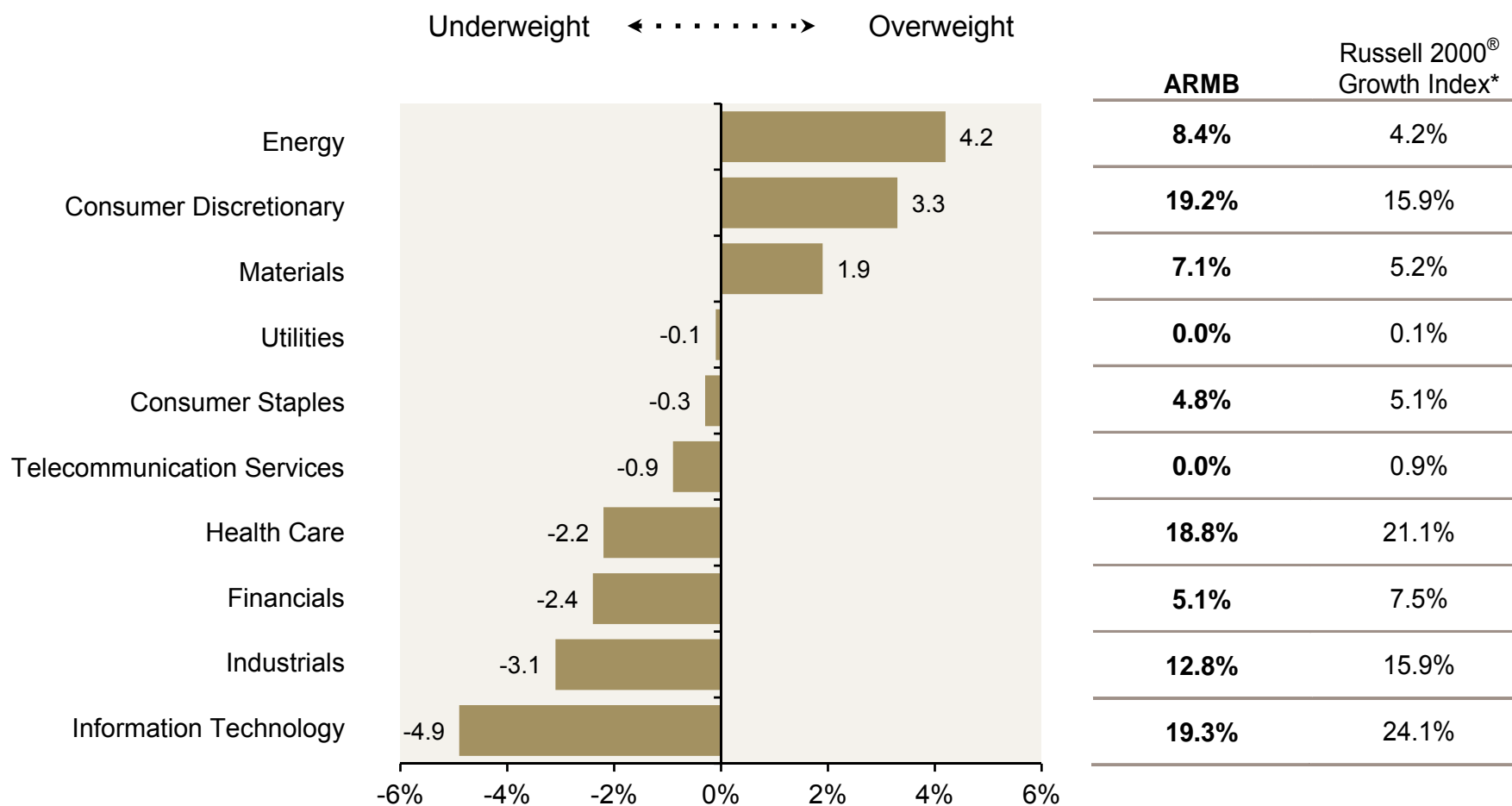
Sectors*	ARMB		Russell 2000® Growth Index		Variance		
	Avg. Weight%	Base Rtn%	Avg. Weight%	Base Rtn%	Stock Selection%	Group Weight%	Total%
Health Care	20.9	41.3	21.3	17.1	4.9	0.5	5.3
Financials	9.5	32.1	7.3	11.0	2.4	-0.3	2.0
Energy	5.0	52.8	4.0	31.3	0.7	0.8	1.5
Materials	1.8	31.0	5.1	13.3	0.9	0.4	1.3
Industrials	14.5	25.5	15.6	19.5	0.8	0.0	0.8
Utilities	0.0	0.0	0.1	7.6	0.0	0.0	0.0
Consumer Staples	4.0	29.4	4.9	26.1	0.1	-0.1	0.0
Telecommunication Services	0.0	0.0	0.9	24.4	0.0	-0.1	-0.1
Consumer Discretionary	13.3	3.6	16.5	7.1	-1.0	0.4	-0.6
Information Technology	28.6	9.9	24.3	15.7	-1.3	0.2	-1.1
Cash	2.4	0.2	0.0	0.0	0.0	-0.2	-0.2
<b>Total</b>	<b>100.0</b>	<b>24.5</b>	<b>100.0</b>	<b>15.6</b>	<b>7.4</b>	<b>1.5</b>	<b>8.9</b>

Source: Wilshire Atlas<sup>SM</sup> ("Wilshire"). Please see Appendix for information "About Wilshire" and the calculation of performance attribution information, including information about Not Classified securities. \*GICS Sectors. Sectors may include many industries.



# SECTOR ALLOCATION

AS OF 04/30/2014



Indexes are unmanaged, do not reflect the deduction of fees or expenses, and are not available for direct investment. Sector allocation is based on GICS classification, and each sector many include many industries. The portfolio is actively managed and portfolio characteristics, such as individual holdings and sector weightings may change significantly over time. \*Source: Russell.



## TEN LARGEST HOLDINGS

AS OF 04/30/2014

Company Name	Sector*	% of Total
US Silica Holdings, inc.	Materials	1.5
Team Health Holdings, Inc.	Health Care	1.5
CARBO Ceramics, Inc.	Energy	1.5
GasLog Ltd.	Energy	1.5
SunEdison, Inc.	Information Technology	1.5
Air Lease Corp.	Industrials	1.5
Myriad Genetics, Inc.	Health Care	1.4
DeVry, Inc.	Consumer Discretionary	1.4
InvenSense, Inc.	Information Technology	1.4
Flotek Industries, Inc.	Materials	1.4
<b>Total</b>		<b>14.6%</b>

\*GICS Sectors.





# PORTFOLIO CHARACTERISTICS

AS OF 04/30/2014

	ARMB	Russell 2000® Growth Index
Total Market Value	<b>\$127,093,091</b>	N/A
Number of Holdings	<b>134</b>	1188
Weighted Average Market Capitalization (\$M)	<b>\$2,643</b>	\$2,010
Median Market Capitalization (\$M)	<b>\$2,081</b>	\$806
Long Term Growth ( <i>IBES Median</i> )	<b>18.8%</b>	17.5%
Price/Earnings Ratio ( <i>1 Year Forecast</i> )	<b>22.3x</b>	20.3x
Total Debt/Total Capital	<b>36.7%</b>	38.5%
Sales Growth ( <i>Historical 5 Year</i> )	<b>7.7%</b>	8.5%



## APPENDIX



## QUARTERLY RATES OF RETURN

	<b>ARMB</b>	<b>Russell 2000® Growth Index*</b>
1Q14	<b>1.54%</b>	0.48%
4Q13	<b>6.24%</b>	8.17%
3Q13	<b>19.13%</b>	12.80%
2Q13**	<b>3.09%</b>	-0.62%

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\*Source: Russell. \*\*Since Inception period from 6/03/2013 – 6/30/2013



# PORTFOLIO HOLDINGS

AS OF 04/30/2014

Sector/Company	% of Total	% of Index
<b>Consumer Discretionary</b>	<b>19.2</b>	<b>15.8</b>
Zu Inc	0.4	
ANN, Inc.	0.8	
Asbury Automotive Grp, Inc.	1.1	
Brunswick Corp.	1.0	
Buffalo Wild Wings, Inc.	1.2	
Chuy's Holdings, Inc.	0.9	
Coupons Com Inc	0.3	
DeVry, Inc.	1.4	
Fiesta Restaurant Group, Inc.	0.1	
Grand Canyon Education, Inc.	0.8	
HomeAway, Inc.	0.4	
Kate Spade & Co.	1.0	
LifeLock, Inc.	1.2	
Lithia Motors, Inc.	1.0	
Mattress Firm Holding Corp.	0.9	
Monro Muffler Brake, Inc.	0.5	
Pool Corp.	0.8	
Rentrak Corp.	0.8	
Restoration Hardware Holdings, Inc.	1.2	
RetailMeNot, Inc.	0.2	
Sonic Corp.	0.7	
Tempur Sealy International, Inc.	0.5	
Tumi Holdings, Inc.	0.1	
Vera Bradley, Inc.	0.6	
Zoes Kitchen Inc	0.3	
iRobot Corp.	1.1	
<b>Consumer Staples</b>	<b>4.8</b>	<b>5.1</b>
Boston Beer Co., Inc.	1.3	
Hain Celestial Group, Inc.	1.0	
United Natural Foods, Inc.	1.2	
WhiteWave Foods Co.	1.3	
<b>Energy</b>	<b>8.4</b>	<b>4.2</b>
CARBO Ceramics, Inc.	1.5	
EXCO Resources, Inc.	1.0	
Exterran Holdings, Inc.	0.8	
GasLog Ltd.	1.5	

Sector/Company	% of Total	% of Index
<b>Energy Cont'd</b>	<b>8.4</b>	<b>4.2</b>
Kodiak Oil & Gas Corp.	1.0	
Oasis Petroleum, Inc.	1.0	
Rice Energy Inc	0.8	
RigNet, Inc.	0.8	
<b>Financials</b>	<b>5.2</b>	<b>7.5</b>
Artisan Partners Asset Management, Inc.	0.6	
BankUnited, Inc.	0.8	
E*TRADE Financial Corp.	0.9	
Evercore Partners, Inc.	0.5	
Financial Engines, Inc.	0.1	
SVB Financial Group	0.2	
Springleaf Holdings, Inc.	0.9	
Stifel Financial Corp.	1.0	
WisdomTree Investments, Inc.	0.2	
<b>Health Care</b>	<b>18.8</b>	<b>21.1</b>
ACADIA Pharmaceuticals, Inc.	0.2	
Agiros Pharmaceuticals, Inc.	0.8	
Air Methods Corp.	1.1	
Align Technology, Inc.	1.3	
Alnylam Pharmaceuticals, Inc.	0.2	
Castlight Health Inc	0.1	
Celldex Therapeutics, Inc.	0.2	
Centene Corp.	1.2	
Cepheid, Inc.	0.9	
Charles River Laboratories International, Inc.	0.5	
Clovis Oncology, Inc.	0.2	
DexCom, Inc.	0.5	
ExamWorks Group, Inc.	1.2	
Fluidigm Corp.	0.5	
Foundation Medicine, Inc.	0.4	
Globus Medical, Inc.	1.0	
Insulet Corp.	0.5	
Intercept Pharmaceuticals, Inc.	0.8	
Intermune, Inc.	0.5	
MWI Veterinary Supply, Inc.	0.5	
Myriad Genetics, Inc.	1.4	

Sector/Company	% of Total	% of Index
<b>Health Care Cont'd</b>	<b>18.8</b>	<b>21.1</b>
Puma Biotechnology, Inc.	0.3	
Receptos, Inc.	0.3	
Sarepta Therapeutics, Inc.	0.7	
Spectranetics Corp.	0.4	
Synageva BioPharma Corp.	0.6	
Team Health Holdings, Inc.	1.5	
Ultragenyx Pharmaceutic	0.1	
Veeva Systems, Inc.	0.1	
Wright Medical Group, Inc.	0.2	
Zeltiq Aesthetics, Inc.	1.0	
<b>Industrials</b>	<b>12.8</b>	<b>15.9</b>
Air Lease Corp.	1.5	
Astronics Corp.	0.6	
Avis Budget Group, Inc.	1.2	
Clean Harbors, Inc.	0.4	
DXP Enterprises, Inc.	1.2	
Generac Holdings, Inc.	0.5	
Hexcel Corp.	0.2	
Knight Transportation, Inc.	1.0	
Manitowoc Co., Inc.	1.0	
Middleby Corp.	0.3	
On Assignment, Inc.	1.2	
Paylocity Hldg Corp	0.3	
RBC Bearings, Inc.	0.3	
Spirit Airlines, Inc.	0.5	
Taser International, Inc.	0.8	
Trex Co., Inc.	1.4	
Trinet Group Inc	0.0	
US Ecology, Inc.	0.0	
USG Corp.	0.5	
Woodward, Inc.	0.0	
<b>Information Technology</b>	<b>19.3</b>	<b>24.1</b>
Belden, Inc.	1.1	
Benefitfocus, Inc.	0.2	
Cavium Networks, Inc.	1.3	
CoStar Group, Inc.	0.3	

Sector/Company	% of Total	% of Index
<b>Information Technology Cont'd</b>	<b>19.3</b>	<b>24.1</b>
Cray, Inc.	0.9	
Criteo S.A.	0.1	
Dealertrack Technologies, Inc.	0.8	
Diodes, Inc.	0.4	
EPAM Systems, Inc.	0.2	
EVERTEC, Inc.	1.1	
FARO Technologies, Inc.	0.8	
Fusion-io, Inc.	0.2	
Grubhub Inc	0.3	
IPG Photonics Corp.	1.1	
InvenSense, Inc.	1.4	
Luxoft Holding, Inc.	0.3	
Monolithic Power Systems, Inc.	0.1	
Nimble Storage, Inc.	0.3	
Rambus, Inc.	0.4	
Silicon Laboratories, Inc.	0.8	
SunEdison, Inc.	1.5	
SunPower Corp.	1.2	
Synaptics, Inc.	1.2	
Tableau Software, Inc.	0.1	
Weibo Corp	0.1	
Xoom Corp.	0.6	
Yelp, Inc.	0.3	
Zillow, Inc.	1.1	
comScore, Inc.	1.1	
<b>Materials</b>	<b>7.1</b>	<b>5.2</b>
Allegheny Technologies, Inc.	1.0	
Axiall Corp.	1.1	
Eagle Materials, Inc.	1.0	
Flotek Industries, Inc.	1.4	
Steel Dynamics, Inc.	1.0	
US Silica Holdings, inc.	1.5	
<b>Telecommunication Services</b>	<b>0.0</b>	<b>0.9</b>
<b>Utilities</b>	<b>0.0</b>	<b>0.1</b>

The portfolio is actively managed and is subject to change.



## KEY INVESTMENT TEAM BIOGRAPHIES

Name	Role	Years of Industry Experience	Years with Lord Abbett	Prior Professional Experience	Education
F. Thomas O'Halloran, J.D., CFA*	Director, Portfolio Manager	27	13	Dillon Read, Trial Attorney	AB Bowdoin College, JD Boston College, MBA Columbia University
Arthur K. Weise, CFA*	Portfolio Manager	21	7	BNY Institutional Asset Management, Wortham, Dillon Read	BA Columbia University
Vernon Bice	Associate Portfolio Manager	13	3	UBS, BNY Institutional Asset Management, Bank of America	BS The Ohio State University
Heidi Bush, CFA	Research Analyst	27	9	YMCA Retirement Fund, New York Life Insurance, Kidder Peabody, Merrill Lynch, Federal Home Loan Bank of New York	BA SUNY-Albany, MBA Columbia University
Benjamin Ebel	Research Analyst	22	9	Dreyfus, Invesco, Armen Partners, Hospitality Restoration Builders, Arthur Andersen	BA Brandeis University, MS University of North Carolina

All data as of 03/31/2014. \*Partner of Lord Abbett.



## KEY INVESTMENT TEAM BIOGRAPHIES

Name	Role	Years of Industry Experience	Years with Lord Abbett	Prior Professional Experience	Education
Matthew R. DeCicco, CFA	Research Analyst	15	15	Various Positions at Lord Abbett	BS University of Richmond
Cinda C. Hughes, CFA*	Client Portfolio Manager	37	16	Phoenix Investment Counsel, Paine Webber, Kidder, Peabody, Fidelity Investments	BA Rhodes College



# ABOUT WILSHIRE

The Wilshire Atlas Variance Analysis tool provides a methodology for explaining the difference in performance between a portfolio and its benchmark, based on the decomposition of returns. The user specifies the portfolio, index, link frequency, sector and weighting. The weighting can be shown as beginning, average or end weights and is used for display purposes only.

Portfolio Weight	Portfolio Base Return	Benchmark Weight	Benchmark Base Return	Stock Selection	Group Weight	Total
<p><b>Weight (Portfolio):</b> This is the average weight of each group in the portfolio. Alternatively, the weight at the end of the reporting period, or on average across the reporting period, may be selected.</p> <p><b>Base Return (Portfolio):</b> This is the weighted average holding period return for the securities in each group. This weighted average is calculated for each link period using beginning weights and then the resulting values are linked together to calculate the displayed value.</p> <p><b>Weight (Benchmark):</b> This is the average weight of each group in the benchmark. Alternatively, the weight at the end of the reporting period, or on average across the reporting period, may be selected.</p> <p><b>Base Return (Benchmark):</b> This is the weighted average holding period return for the benchmark securities in each group. This weighted average is calculated for each link period using beginning weights, then the resulting values are linked together to calculate the displayed value.</p> <p><b>Stock Selection Variance:</b> This is the success of selection decisions within each group versus the benchmark. It is calculated for each link period using the following equation: <math>\text{Stock Selection Variance} = W_{P,G} * (R_{P,G} - R_{B,G})</math>, where <math>W_{P,G}</math> = Weight of the group in the portfolio, <math>R_{P,G}</math> = Return of the group in the portfolio, <math>R_{B,G}</math> = Return of the group in the benchmark.</p> <p><b>Group Weighting Variance:</b> This is the result of weighting decisions in each group versus the benchmark. It is calculated for each link period using the following equation: <math>\text{Group Weighting Variance} = (W_{P,G} - W_{B,G}) * (R_{B,G} - R_{B,T})</math>, where <math>W_{P,G}</math> = Weight of the group in the portfolio, <math>W_{B,G}</math> = Weight of the group in the benchmark, <math>R_{B,G}</math> = Return of the group in the benchmark, <math>R_{B,T}</math> = Overall return of the benchmark.</p> <p><b>Total Variance:</b> This is the sum of group weighting and stock selection variances. This represents the amount of total variance that is explained by the selection and allocation decisions for each group.</p> <p><b>Hedging Cost:</b> This is the contribution due to the difference in the risk-free rates between currencies and is a function of the time left to maturity. It can be positive or negative, depending on the interest rate differentials between the long and short currencies. The hedge cost for each contract is calculated individually by multiplying its exposure by its hedge cost; then these contributions are summed to give the total contribution shown on the report.</p> <p><b>Hedging Effect:</b> This is the contribution due to hedging. It is calculated by multiplying the exposure associated with each currency forward by the portion of the forward's return due to currency fluctuations; then, each of the forward's contributions are summed together to give the total that appears in the Contribution Summary table. The return that is used in the calculation excludes the hedge cost.</p> <p><b>Portfolio Return:</b> This is the sum of each of contributions displayed in the Contribution Summary table.</p>						

Wilshire generated returns are calculated gross of fees based on end of day prices and do not capture intraday cash flow, price changes or trading activity, and therefore are subject to some variance from Lord Abbett returns. In addition, Wilshire and Lord Abbett may use different pricing sources and methodologies.

Not Classified securities represent those securities which have not been assigned an official GICS Direct classification. GICS Direct, a joint product of Standard & Poor's and MSCI, provides industry classifications for more than 40,000 companies and over 45,000 securities. Not Classified securities may include, but are not limited to: Exchange-Traded Funds (ETFs), pink sheet-listed issues, pre-IPO placements, private placements, secondary issues, open-end funds, closed-end funds, and non-operating establishments.

Under certain circumstances, Lord Abbett may elect to have Wilshire map an ETF holding to the relevant characteristics represented by that ETF's underlying index in order to reflect the exposure and performance contributed by the ETF to the overall portfolio. When this option is selected, Wilshire will remove the ETF from the Not Classified category and instead allocate the ETF's exposures across the relevant attributes based on the composition of the ETF's underlying index.



# GLOSSARY OF PORTFOLIO CHARACTERISTICS

**Long Term Growth (IBES Median)** is the consensus outlook for a portfolio's EPS growth. I/B/E/S provides medians of research analysts' estimates for companies' long-term (typically five years) growth rates.

**Price/Earnings Ratio (1 Year Forecast)** is a ratio that reflects how much a stock costs relative to its earnings. It is calculated by dividing the current stock price by the estimated future earnings per share.

**Sales Growth (Historical 5 Year)** is a measurement of the increase in sales on average each year over the past five years.

**Total Debt/Total Capital** is a measurement of the relationship between holdings' debt and total capital. A large Debt/Capital ratio indicates that a company is highly leveraged.

**Median Market Capitalization** is a measurement of the market capitalization of the holding that is in the arithmetic middle of the portfolio or index.

**Weighted Average Market Capitalization** is the average market capitalization of all companies held in the portfolio, with each company weighted according to its percent held in the portfolio, with each company weighted according to its percent held in the portfolio.



# Luther King Capital Management

**Mandate:** Small Cap

**Hired:** 2005

Firm Information	Investment Approach	Total ARMB Mandate*
<p>Luther King Capital Management (“LKCM”) was founded as a registered investment advisory firm by Mr. King in 1979. The firm maintains its independence and the 12 shareholders of LKCM are all active members of the firm.</p> <p>As of 3/31/14, the firm’s total assets under management were \$14.8 billion.</p> <p><b>Key Executives:</b>  <b>Steve R. Purvis</b>, <i>Principal, Vice President, Portfolio Manager</i>  <b>Mark L. Johnson</b>, <i>Principal, Vice President, Portfolio Manager</i></p>	<p>Luther King’s small cap equity philosophy is a “Core” investment philosophy based on the belief that competitively advantaged companies, which typically generate a high and/or improving return on invested capital, can provide superior rates of return to shareholders over long periods of time. These companies will also have strong balance sheets and generate free cash flow. LKCM's time-tested investment philosophy adds value through the creation of wealth and the management of risk. LKCM's small cap strategy adds value by bringing a thorough internal due diligence process to bear on the inefficient small cap market. This process has led to successful sector and stock selection over time. The firm also adds value through the management of risk by working to remove "problem" stocks from the portfolio in a timely manner.</p> <p><b>Benchmark:</b> Russell 2000 Index</p>	<p><b>Assets Under Management:</b>  3/31/14 \$135,853,851</p>

**Concerns:** None

3/31/14 Performance*				
	<u>Last Quarter</u>	<u>1-Year</u>	<u>3-Years Annualized</u>	<u>5-Years Annualized</u>
Manager (gross)	-1.77%	22.25%	11.41%	24.88%
Fee	0.13%	0.64%	0.59%	0.66%
Manager (net)	-1.90%	21.61%	10.82%	24.22%
Benchmark	1.12%	24.90%	13.18%	24.31%

\*Source: Callan Associates Inc.

INVESTMENT REVIEW  
*presented to*  
**ALASKA RETIREMENT  
MANAGEMENT BOARD**

*JUNE 27, 2014*

**LKCM**

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LUTHER KING CAPITAL MANAGEMENT

301 COMMERCE STREET, SUITE 1600

FORT WORTH, TEXAS 76102

<b>TABLE OF CONTENTS</b>
--------------------------

<b>I.</b>	<b>SMALL CAP INVESTMENT SUMMARY</b>	<b>1 - 12</b>
<b>II.</b>	<b>PORTFOLIO REVIEW</b>	
	Investment Performance	13
	Contributions / Distributions	14
	Realized Gains / Losses	15
	Sector Weightings/Portfolio Characteristics	16
	Fifteen Largest Holdings/Top & Bottom Contributors	17
	Russell 2000 Index Performance	18
	Sector Performance	19
<b>III.</b>	<b>PORTFOLIO HOLDINGS</b>	<b>20 - 24</b>
<b>IV.</b>	<b>ADDITIONAL INFORMATION</b>	<b>25 - 26</b>

# *Luther King Capital Management*

- Independent Investment Counseling Firm - founded in 1979
- 100% employee-owned and controlled “C” Corporation  
12 principals, 76 employees  
35 investment professionals (27 CFA’s, 5 CPA’s)
- \$14.8 billion in total assets      Taxable / Non Taxable    61% / 39%  
Dedicated Small Cap Assets    \$ 2.4 bil – 45 portfolios - since 1994  
Dedicated SMID Cap Assets    \$ 0.7 bil – 31 portfolios - since 2005
- Research intensive, fundamentally based investment strategy
- “Client focused culture”
- Highly aligned with our clients’ success – LKCM, employees and affiliates are collectively the firm’s largest client
- Successful long-term performance track record

# Total Assets Under Management

**\$14.8 Billion**

## Client Base

<i>Institutional</i>			
Foundation/Endowment	\$2.7 bil	18%	
Employee Benefit	1.6 bil	11%	
Other Institutional	1.0 bil	7%	
Public	0.5 bil	3%	
<i>Total Institutional</i>	<i>\$5.8 bil</i>	<i>39%</i>	
<i>Taxable</i>			
Individuals & Families	\$5.4 bil	37%	
Mutual Funds	2.2 bil	15%	
<i>Small Cap Fund (LKSCX)</i>	<i>1.1 bil</i>		
<i>Smid Cap Fund (LKSMX)</i>	<i>0.4 bil</i>		
Limited Partnerships	1.4 bil	9%	
<i>Total Taxable</i>	<i>\$9.0 bil</i>	<i>61%</i>	

## Investment Type

Equity	85%
<i>Small Cap Core</i>	<i>16%</i>
<i>Smid Cap Equity</i>	<i>5%</i>
Fixed Income & Short-Term Investments	<u>15%</u>
<i>Total</i>	<i>100%</i>

## Market Capitalization

Mega Cap (>\$75 bil)	24%
Large Cap (\$8-\$75 bil)	37%
Mid Cap (\$3-\$8 bil)	17%
Small Cap (<\$3 bil)	22%

As of 03/31/14



## *LKCM Investment Strategy*

- **Strategy:** Identify and invest in high-quality, competitively-advantaged companies that have the ability to reinvest their free cash flow internally at high rates of return to grow the value of the company, thus, allowing wealth to compound over time as management executes its business strategy
- **Goals:** To consistently generate superior returns with lower volatility relative to the benchmark
- **Approach:** A research intensive, rigorous, bottoms-up, fundamental approach utilizing the knowledge and experience of our investment professionals

# *LKCM Small / SMID Cap Strategy Investment Team*

## **Portfolio Managers**

Steven R. Purvis, CFA - Lead Manager (28 yrs)  
J. Luther King, Jr., CFA (52 yrs)

## **Small Cap Analysts**

Benjamin M. Cowan, CFA (11 yrs)  
Mason D. King, CFA (15 yrs)  
C. Brett Scarbrough, CFA, CPA (5 yrs)

## **Firm Wide / Sector Analysts**

Brittney G. Allred, CFA - Consumer Staples (5 yrs)	Alex M. Morris - Energy (7 yrs)
Jonathan B. Deweese, CFA - Industrials, Materials (14 yrs)	R. Todd Truitt, CFA - Consumer Discretionary (16 yrs)
Paul W. Greenwell - Retail (42 yrs)	Gary G. Walsh, CFA, CPA - Telecom (21 yrs)
James J. Kerrigan, CFA - Health Care (31 yrs)	Michael C. Yeager, CFA, CPA - Financials (18 yrs)
David M. Lehmann, CFA - Information Technology (15 yrs)	(Director of Research)

## **Equity Traders**

Alan D. Marshall (18 yrs)  
Vernon A. Lamb (15 yrs)



# LKCM Small Cap Core Investment Process

## Idea Generation

- ☐ **IDEA UNIVERSE**
  - between \$400 mil-\$3 bil market cap
  - adequate trading liquidity
- ☐ **COMPETITIVELY ADVANTAGED COMPANIES**
  - high quality, proven business models
  - positive wealth creation attributes
  - credible management
  - multi year growth opportunities

## ☐ **HIGHLY PROFITABLE**

- improving return profile
- return on invested capital

## ☐ **RE-INVESTMENT OPPORTUNITIES**

- at high rates of return
- eliminates most Utilities & REIT's

## ☐ **WELL CAPITALIZED**

- appropriate debt levels

## ☐ **VALUATION**

- utilize company/sector specific valuation methodology

## Portfolio Construction

- ☐ **OVERALL**
  - a fundamentally driven, knowledge based approach used to build a diversified portfolio of high-quality companies at attractive valuations
  - executed by lead manager

## ☐ **STOCK DIVERSIFICATION**

- 85 – 95 holdings
- initial position 0.8% - 1.2%

## ☐ **SECTOR DIVERSIFICATION**

- limit sector overweights to roughly 500 bps
- underweights where appropriate

## ☐ **OTHER CONSIDERATIONS**

- cash position typically < 5%
- average annual turnover 50-70%

## ☐ **SYSTEMICALLY MONITOR PORTFOLIO**

- weekly portfolio attribution analysis focused on stock and sector allocation decisions
- special attention to investments down > 15% from cost

## Sell Discipline

- ☐ **TRIM**
  - position > 2% of portfolio
  - market cap > \$4 bil
- ☐ **SELL**
  - market cap > \$5 bil
  - valuation becomes excessive
  - fundamental outlook weakens
  - changes in investment thesis

## ☐ **EXCEPTIONS REPORT PROCESS**

- since 1997, a structured process to review all 'struggling' investments
- typically review 6-8 investments each month
- analysts formally review the investment thesis with the focus on making a better 'second' decision.
- the goal is to prevent stock problems from becoming portfolio problems thus minimizing negative tail risk



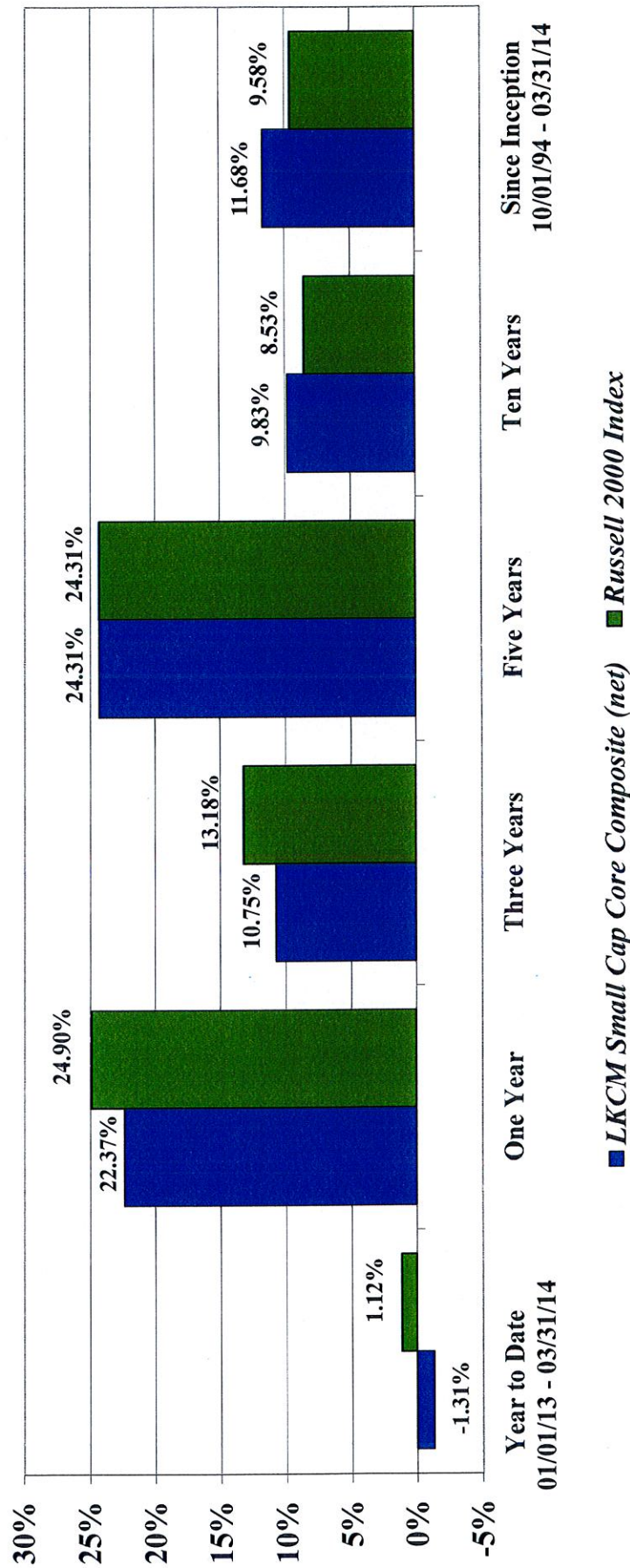
## *LKCM Investment Process Summary*

- *Disciplined knowledge based investment process*
- *Invested in high quality, competitively advantaged companies*
- *Diversified portfolio that historically captures the upside and protects on the downside.*
- *Repeatable, fundamentally driven investment strategy*

*A Core portfolio of competitively advantaged Small Cap companies*

# LKCM Small Cap Core Composite

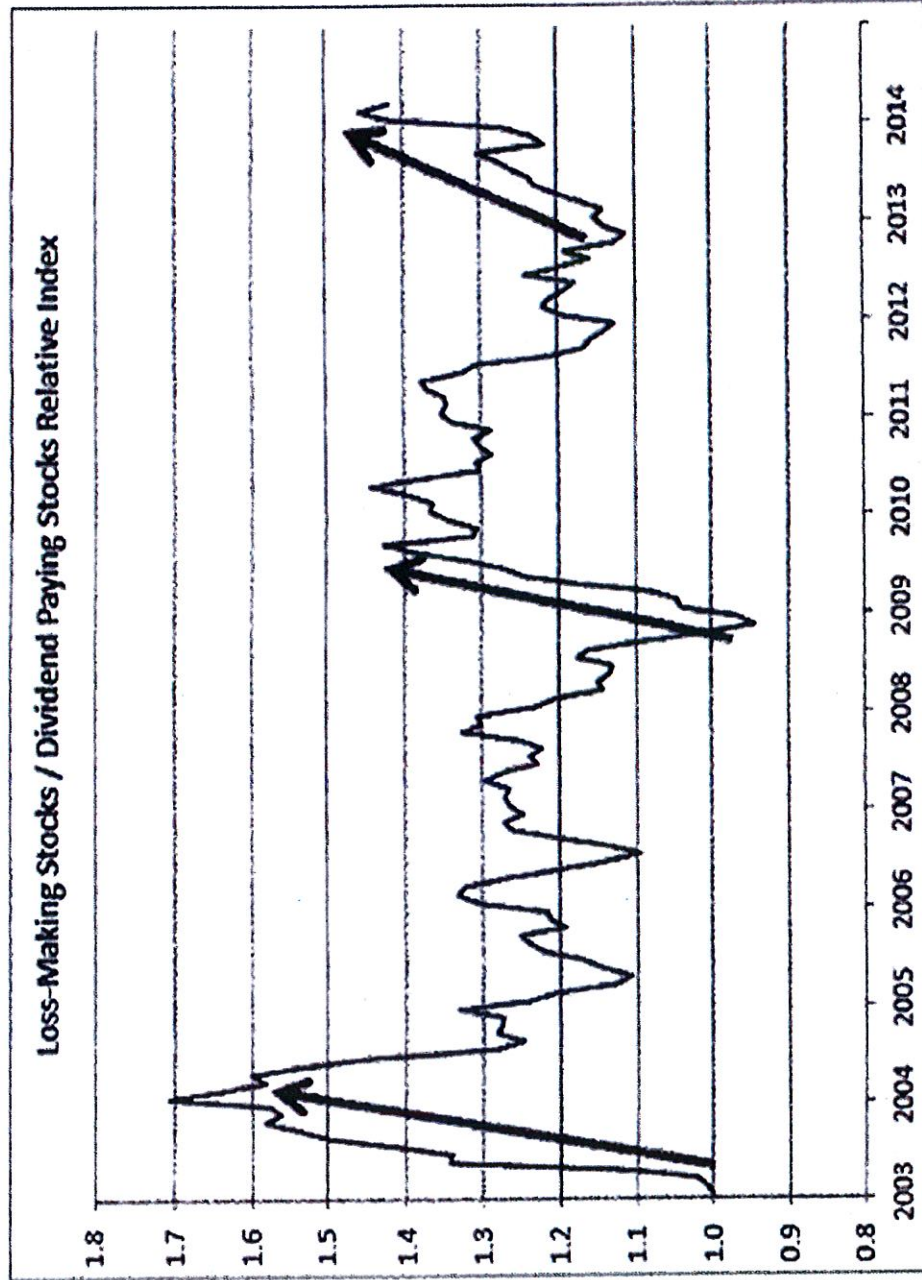
## Annualized Performance (Periods Ending 03/31/14)



The performance results should be reviewed along with the attached full disclosure presentation. Past performance is not indicative of future results. Time periods over one year are annualized.



## 2 Low Quality Rallies During the Past 5 Years

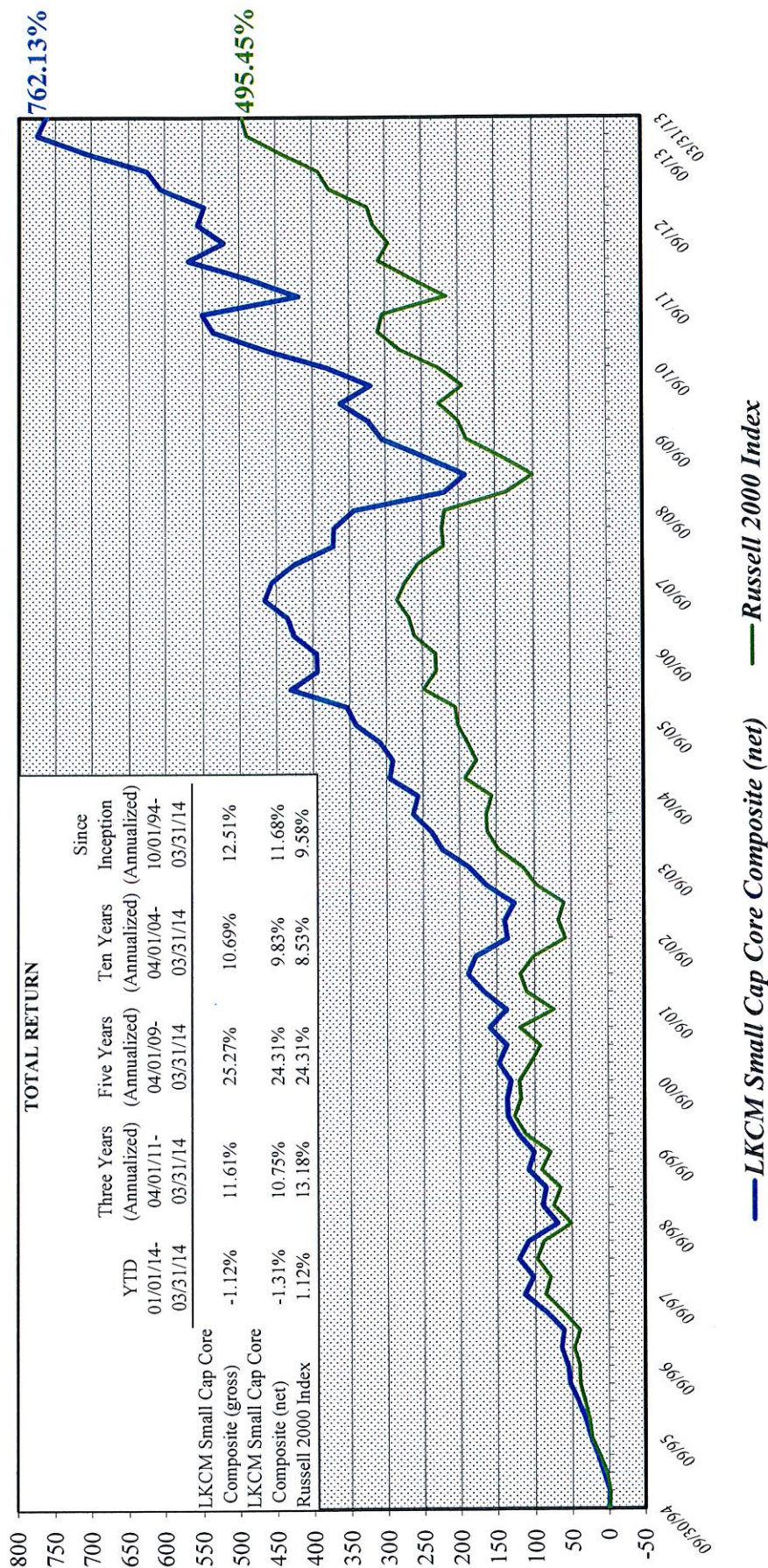


Source: Furey Research Partners & FactSet



# LKCM Small Cap Core Composite

## Cumulative Returns Since Inception (10/01/94 – 03/31/14)



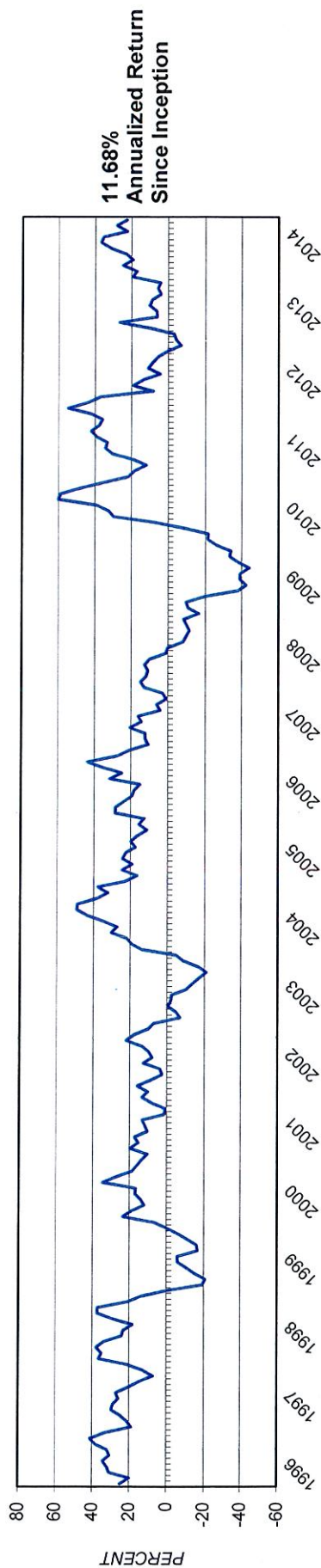
The performance results should be reviewed along with the attached full disclosure presentation.  
Past performance is not indicative of future results.



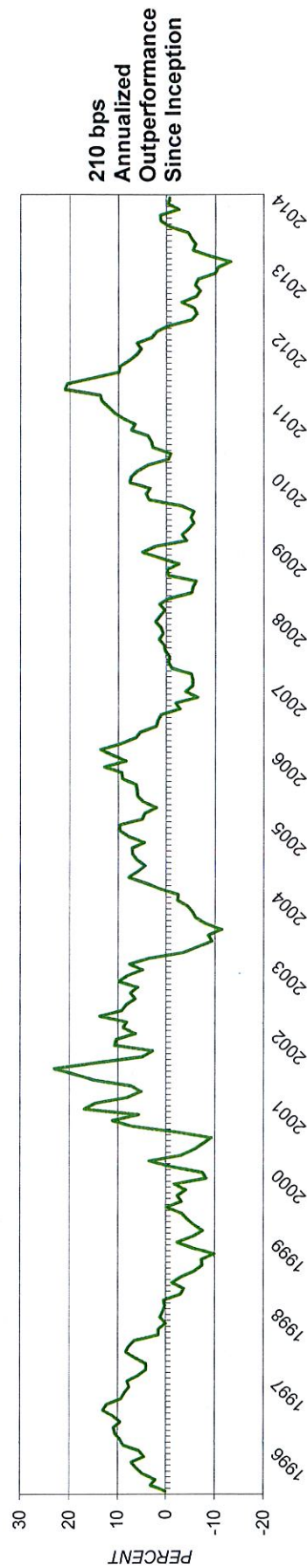
# LKCM Small Cap Core Composite

*Twelve Month Rolling Returns Cumulative (10/01/94 – 03/31/14)*

**LKCM Small Cap Core Composite (Net)  
Twelve Month Rolling Returns**



**LKCM Small Cap Core Composite  
Twelve Month Rolling Returns (Net) vs. Russell 2000**

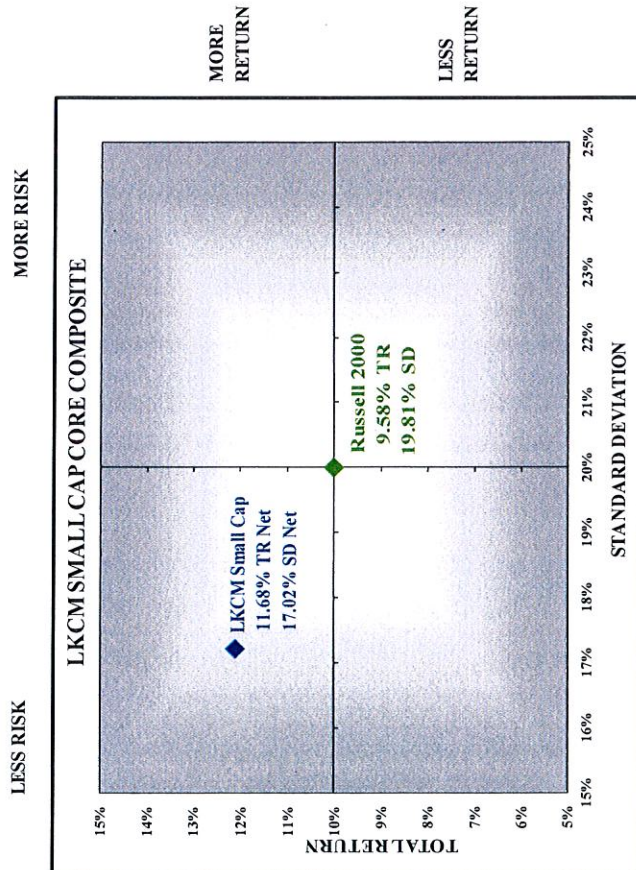


*The performance results should be reviewed along with the attached full disclosure presentation.  
Past performance is not indicative of future results.*

# LKCM Small Cap Core Composite

## Risk and Return/Portfolio Characteristics (10/01/94 – 03/31/14)

SINCE INCEPTION RISK/RETURN		
	LKCM SMALL CAP CORE COMPOSITE	RUSSELL 2000
	Net	
Portfolio Return	11.68%	9.58%
Standard Deviation	17.02%	19.81%
Alpha	3.62%	0.00%
Beta	0.81	1.00
R <sup>2</sup>	88%	100%
Up Capture	93%	100%
Down Capture	79%	100%



TR = Total Return (10/01/94 to 03/31/2014) Annualized

SD = Standard Deviation

Standard deviation measures the volatility of prices around the mean average.  
**This presentation is supplemental to the attached full disclosure presentation.**  
**Past performance is not indicative of future results.**

Alpha represents the excess return of the composite over the expected market return

Beta measures the risk of volatility of the composite relative to the market as a whole

R2 measures the correlation of composite returns to the benchmark

Up Capture measures the percentage of benchmark performance captured by the composite during up quarters

Down Capture measures the percentage of benchmark performance captured by the composite during down quarters

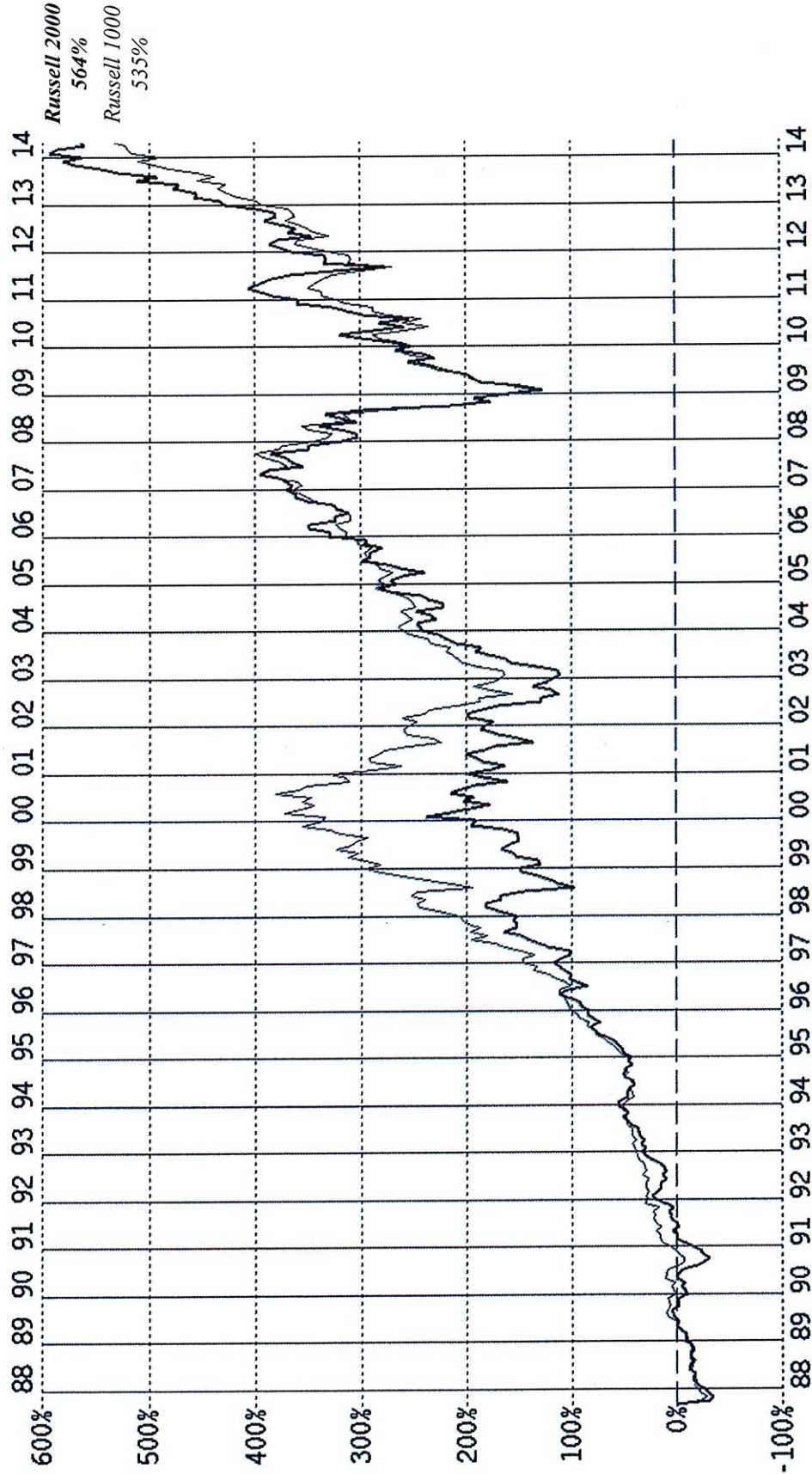


Source: LKCM Small Cap Core Composite and Zephyr Associates, Inc.



# Stock Market Performance

September 1987 – May 2014



Source: Thomson Reuters (Baseline product)

# ALASKA RETIREMENT MANAGEMENT BOARD

## INVESTMENT PERFORMANCE

### MAY 31, 2014

	TOTAL RETURN*	RUSSELL 2000 INDEX
2014 YEAR TO DATE (01/01/14 - 05/31/14)	(5.75) %	(2.02) %
TWELVE MONTHS ENDED 05/31/14	14.99 %	16.79 %
FY 2014 (07/01/13 - 05/31/14)	13.86 %	17.40 %
THREE YEARS ENDING 05/31/14	29.51 %	39.49 %
ANNUALIZED RETURN	9.00 %	11.73 %
FIVE YEARS ENDING 05/31/14	150.88 %	141.87 %
ANNUALIZED RETURN	20.17 %	19.30 %
SINCE INCEPTION		
(04/29/05 - 05/31/14)	131.57 %	121.12 %
ANNUALIZED RETURN	9.68 %	9.12 %

\* INVESTMENT MANAGEMENT RESULTS ARE GROSS OF INVESTMENT MANAGEMENT FEE AND INCLUDE REALIZED AND GAINS AND LOSSES AND DIVIDENDS AND INTEREST.



# ALASKA RETIREMENT MANAGEMENT BOARD

MAY 31, 2014

	<u>CONTRIBUTIONS</u>	<u>DISTRIBUTIONS</u>	
4/29/05	BEGINNING MARKET VALUE		\$ 97,230,351
5/31/05	\$ 304,548		
8/19/05	\$ 500,000		
10/25/06	\$ 30,000,000		
10/7/08		\$ 10,000,000	
7/24/09		\$ 20,000,000	
5/11/10		\$ 20,000,000	
2/9/14		\$ 45,000,000	
	<hr/>	<hr/>	
	TOTALS/NET \$ 30,804,548	\$ 95,000,000	\$ (64,195,452)
	ADJUSTED CAPITAL INVESTED		\$ 33,034,899
5/31/14	CURRENT MARKET VALUE		\$ 130,340,099
5/31/14	CHANGE IN PORTFOLIO VALUE*		\$ 97,305,200

\* TOTAL OF REALIZED AND UNREALIZED GAINS PLUS DIVIDENDS AND INTEREST INCOME

# ALASKA RETIREMENT MANAGEMENT BOARD

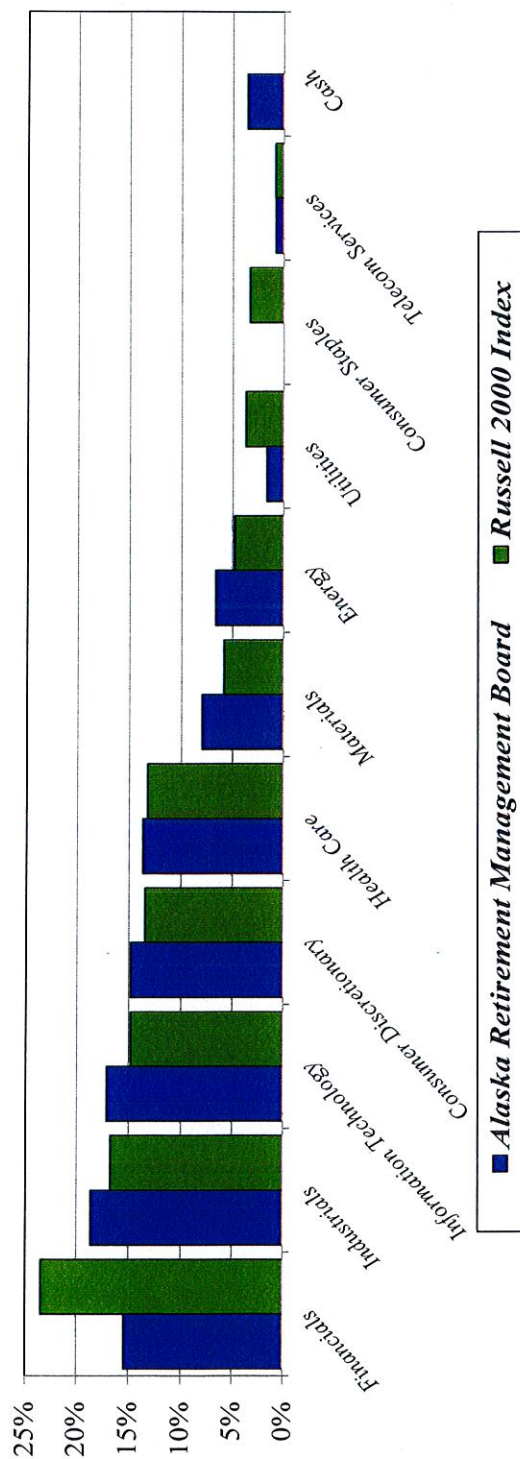
MAY 31, 2014

<i>Realized Gains/Losses</i>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
2005 (4/29/05 - 12/31/05)	\$ 2,415,470	\$ -	\$ 2,415,470
2006	\$ 3,866,775	\$ 12,136,988	\$ 16,003,763
2007	\$ (3,834,795)	\$ 7,371,373	\$ 3,536,578
2008	\$ (19,078,526)	\$ (3,475,782)	\$ (22,554,308)
2009	\$ (1,785,108)	\$ (8,533,447)	\$ (10,318,555)
2010	\$ 2,783,946	\$ 9,428,080	\$ 12,212,026
2011	\$ (705,814)	\$ 12,282,450	\$ 11,576,636
2012	\$ (726,761)	\$ 11,490,545	\$ 10,763,784
2013	\$ (3,732,905)	\$ 16,707,810	\$ 12,974,905
2014	\$ 1,140,220	\$ 19,471,703	\$ 20,611,923
<b><i>Total Realized Gains</i></b>	<b>\$ (19,657,498)</b>	<b>\$ 76,879,720</b>	<b>\$ 57,222,222</b>
<b><i>Unrealized Gain/Loss</i></b>			<b>\$ 29,885,079</b>
<b><i>Total Portfolio Value</i></b>			<b>\$ 130,340,099</b>

# ALASKA RETIREMENT MANAGEMENT BOARD

## SECTOR WEIGHTINGS/PORTFOLIO CHARACTERISTICS

### MAY 31, 2014



Market Capitalization	% of Portfolio	Portfolio Characteristics	Alaska Retirement	Russell 2000
> \$5 Bil	0%	Return on Equity	16 %	10 %
\$3 bil - \$5 bil	19%	Debt/Total Capital	28 %	26 %
\$1.5 bil - \$3 bil	47%	LT Earnings Growth	19 %	13 %
\$500 mil - \$1.5 bil	31%	'14e P/E	25 x	26 x
< \$500 mil	3%	Weighted Avg Mkt Cap (\$ mil)	\$2,079	\$1,888
		Number of Holdings	95	2,000

Source: Thomson Reuters (Baseline product)

# ALASKA RETIREMENT MANAGEMENT BOARD

## MAY 31, 2014

### Fifteen Largest Holdings

COMPANY	SECTOR	% OF HOLDING	5/31/14 CLOSING PRICE	MARKET CAPITALIZATION (MILLIONS)	YTD % CHANGE
AKORN INC	HEALTH CARE	2.1 %	\$ 27.97	\$ 2,907	13.6 %
ATHLON ENERGY	ENERGY	2.0	43.46	4,221	43.7
TEAM HEALTH HOLDINGS	HEALTH CARE	1.9	50.77	3,566	11.5
BELDEN INC	INFORMATION TECH	1.8	71.99	3,139	2.2
EURONET WORLDWIDE INC	INFORMATION TECH	1.5	47.14	2,402	(1.5)
BANCORPSOUTH INC	FINANCIALS	1.5	23.50	2,257	(7.6)
MWI VETERINARY SUPPLY INC	HEALTH CARE	1.4	139.51	1,794	(17.9)
HFF INC	FINANCIALS	1.4	32.32	1,218	20.4
HOME BANCSHARES INC	FINANCIALS	1.4	30.51	1,987	(18.3)
POLYONE CORP	MATERIALS	1.4	40.13	3,777	13.5
WESCO INTERNATIONAL INC	INDUSTRIALS	1.4	85.42	3,796	(6.2)
SKECHERS USA INC CL A	CONSUMER DISCRETION	1.3	44.50	1,778	34.3
TELEDYNE TECHNOLOGIES	INDUSTRIALS	1.3	94.77	3,556	3.2
LOGMEIN INC	INFORMATION TECH	1.3	42.57	1,034	26.9
ASPEN TECHNOLOGY INC	INFORMATION TECH	1.3	42.99	3,958	2.8

TOTAL

23.0 %

### Top & Bottom Contributors - YTD 2014

TOP 5 CONTRIBUTORS	5/31/14 WEIGHT	TOTAL RETURN	PORTFOLIO CONTRIBUTION	BOTTOM 5 CONTRIBUTORS	5/31/14 WEIGHT	TOTAL RETURN	PORTFOLIO CONTRIBUTION
ATHLON ENERGY INC	2.01 %	44 %	0.62 %	ACXIOM CORP	1.18 %	(39) %	(0.73) %
SKECHERS USA INC	1.34	34	0.38	INTERACTIVE INTELLIGENCE	1.20	(25)	(0.40)
HEADWATERS INC	1.01	32	0.31	ENDOLOGIX INC	0.89	(25)	(0.34)
SANCHEZ ENERGY CO	1.06	40	0.31	MWI VETERINARY SUPPLIES	1.43	(18)	(0.33)
HFF INC	1.40	28	0.30	HOME BANCSHARES INC	1.38	(18)	(0.31)
			1.92 %				(2.11) %

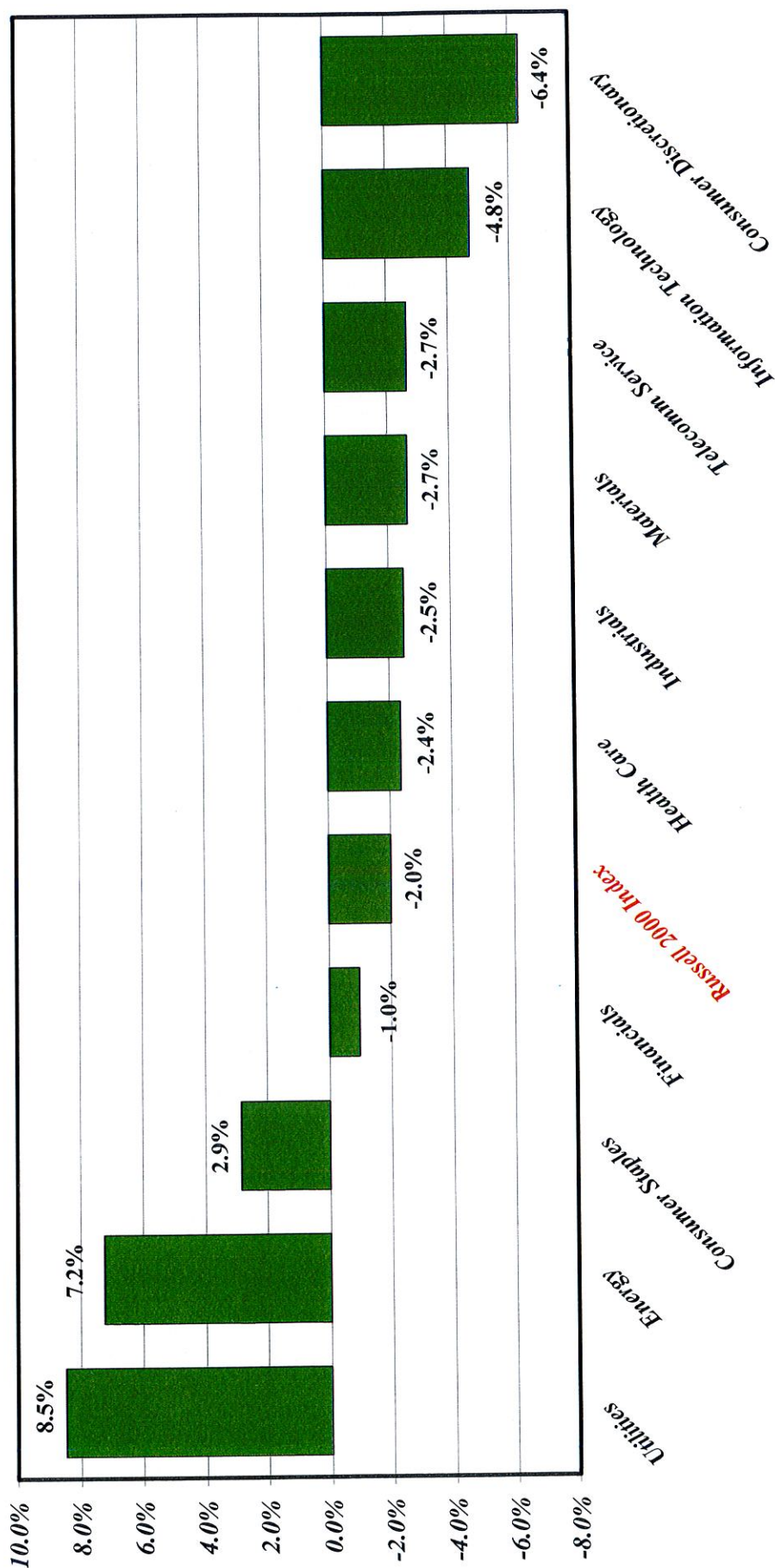
Source: Thomson Reuters (Baseline product)



# RUSSELL 2000 INDEX SECTOR PERFORMANCE

## TOTAL RETURN

January 1, 2014 - May 31, 2014



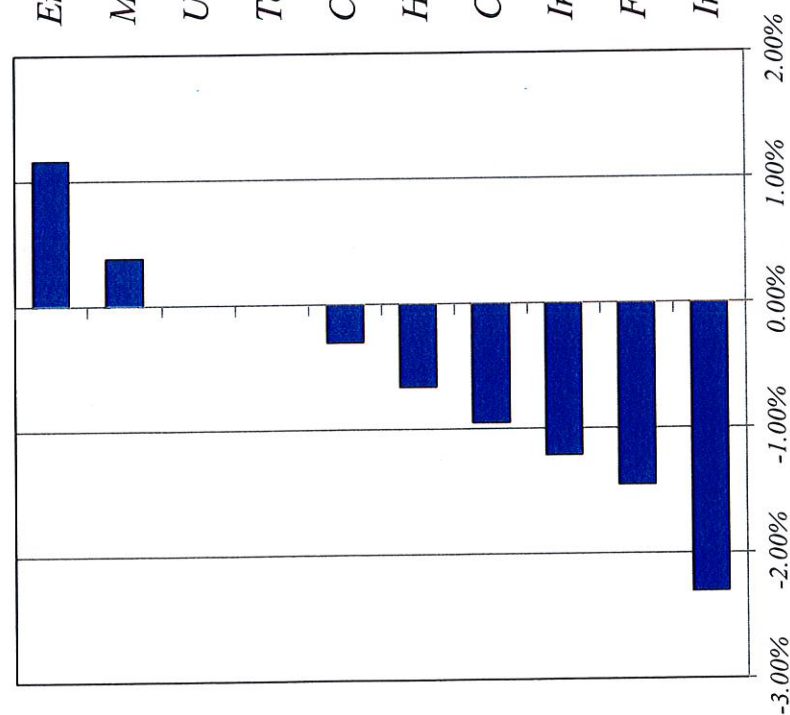
Source: Thomson Reuters (Thomson ONE Portfolio)

# ALASKA RETIREMENT MANAGEMENT BOARD

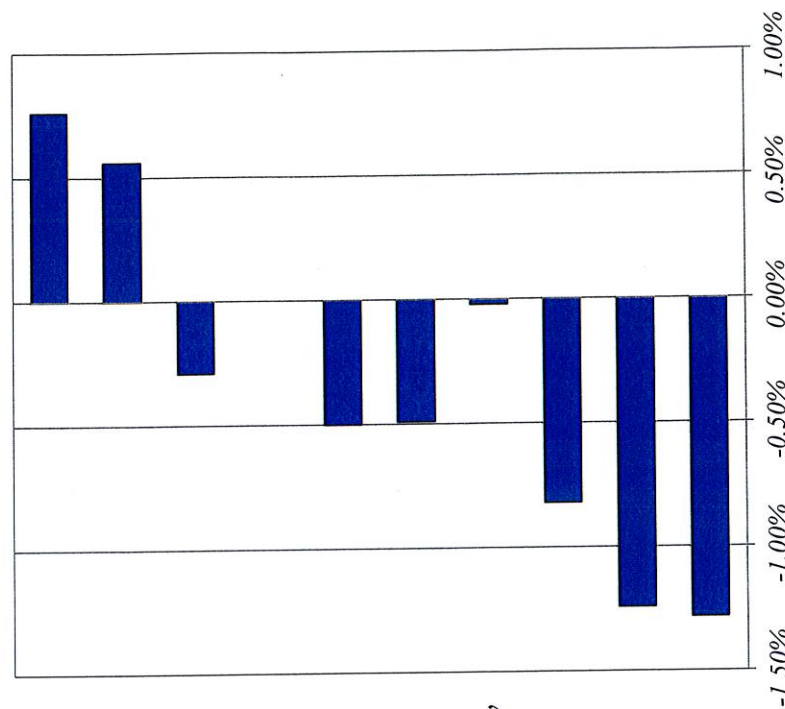
## SECTOR PERFORMANCE

January 1, 2014 - May 31, 2014

Contribution to Performance



Attribution\* vs. Benchmark



\* Stock Selection plus Sector Allocation Decisions

Source: Thomson Reuters (Thomson ONE Portfolio)

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**PORTFOLIO REVIEW**  
**MAY 31, 2014**

	AMOUNT	COST	LAST	MARKET VALUE	% SEG	% PF	YIELD
<b>EQUITIES</b>							
<b>CONSUMER DISCRETIONARY</b>							
<b>AUTO COMPONENTS</b>							
DORMAN PRODUCTS INC	27,470	58.76	53.13	1,459,481	1.16	1.12	0.0
<b>AUTOMOBILES</b>							
THOR INDUSTRIES INC	25,320	39.01	60.00	1,519,200	1.21	1.17	1.5
WINNEBAGO INDS INC	47,571	25.85	24.76	1,177,858	0.94	0.90	0.0
<b>TOTAL AUTOMOBILES</b>				<b>\$ 2,697,058</b>	<b>2.15</b>	<b>2.07</b>	<b>0.9</b>
<b>DIVERSIFIED CONSUMER SERVICES</b>							
DEVRY EDUCATION GROUP, INC.	25,160	35.75	42.23	1,062,507	0.85	0.82	0.8
HILLENBRAND INC	56,445	28.43	30.29	1,709,719	1.36	1.31	2.6
<b>TOTAL DIVERSIFIED CONSUMER SERVICES</b>				<b>\$ 2,772,226</b>	<b>2.21</b>	<b>2.13</b>	<b>1.9</b>
<b>HOTEL RESTAURANTS &amp; LEISURE</b>							
BLOOMIN BRANDS	31,670	22.23	20.84	660,003	0.53	0.51	0.0
LA QUINTA HOLDINGS INC	56,320	17.06	18.06	1,017,139	0.81	0.78	0.0
ORIENT EXPRESS HOTELS LTD A	99,209	12.87	13.15	1,304,598	1.04	1.00	0.0
<b>TOTAL HOTEL RESTAURANTS &amp; LEISURE</b>				<b>\$ 2,981,740</b>	<b>2.37</b>	<b>2.29</b>	<b>0.0</b>
<b>LEISURE EQUIPMENT &amp; PRODUCTS</b>							
POOL CORPORATION	27,630	48.90	57.73	1,595,080	1.27	1.22	1.5
<b>TOTAL LEISURE EQUIPMENT &amp; PRODUCTS</b>				<b>\$ 1,595,080</b>	<b>1.27</b>	<b>1.22</b>	<b>1.5</b>
<b>MEDIA</b>							
E W SCRIPPS CO OHIO	86,715	17.76	19.52	1,692,677	1.35	1.30	0.0
<b>SPECIALTY RETAIL</b>							
PIER 1 IMPORTS INC	41,640	19.50	17.61	733,280	0.58	0.56	1.4
<b>TEXTILES, APPAREL &amp; LUXURY GOODS</b>							
KATE SPADE & COMPANY	27,920	12.62	36.41	1,016,567	0.81	0.78	0.0
MOVADO GROUP	32,510	40.95	38.29	1,244,808	0.99	0.96	1.0
OXFORD INDUSTRIES INC	20,970	52.44	63.93	1,340,612	1.07	1.03	1.3
SKECHERS USA INC CL A	39,350	26.52	44.50	1,751,075	1.39	1.34	0.0
<b>TOTAL TEXTILES, APPAREL &amp; LUXURY GOODS</b>				<b>\$ 5,353,062</b>	<b>4.26</b>	<b>4.11</b>	<b>0.6</b>
<b>TOTAL CONSUMER DISCRETIONARY</b>				<b>\$ 19,284,605</b>	<b>15.35</b>	<b>14.80</b>	<b>0.7</b>
<b>CONSUMER STAPLES</b>							
<b>FOOD &amp; STAPLES RETAILING</b>							
CHEFS WHSE INC	42,390	23.69	18.48	783,367	0.62	0.60	0.0
<b>FOOD PRODUCTS</b>							
POST HOLDINGS INC	26,740	48.84	49.97	1,336,198	1.06	1.03	0.0
<b>TOTAL CONSUMER STAPLES</b>				<b>\$ 2,119,565</b>	<b>1.69</b>	<b>1.63</b>	<b>0.0</b>

ALASKA RETIREMENT MANAGEMENT BOARD  
 PORTFOLIO REVIEW  
 MAY 31, 2014

	AMOUNT	COST	LAST	MARKET VALUE	% SEG	% PF	YIELD
<b>EQUITIES</b>							
<b>ENERGY</b>							
<b>ENERGY EQUIPMENT &amp; SERVICES</b>							
ATWOOD OCEANICS INC	13,815	32.38	49.35	681,770	0.54	0.52	0.0
<b>OIL, GAS &amp; CONSUMABLE FUELS</b>							
ATHLON ENERGY	60,372	25.80	43.46	2,623,767	2.09	2.01	0.0
BARRETT BILL CORP	59,415	26.99	25.00	1,485,375	1.18	1.14	0.0
KODIAK OIL & GAS CORP	40,855	8.52	12.73	520,084	0.41	0.40	0.0
MATADOR RESOURCES	49,005	25.12	24.88	1,219,244	0.97	0.94	0.0
PARSLEY ENERGY	50,830	19.41	23.77	1,208,229	0.96	0.93	0.0
SANCHEZ ENERGY	40,042	25.57	34.43	1,378,646	1.10	1.06	0.0
SYNERGY RESOURCES CORP	99,740	10.75	11.74	1,170,948	0.93	0.90	0.0
<b>TOTAL OIL, GAS &amp; CONSUMABLE FUELS</b>				<b>\$ 9,606,293</b>	<b>7.64</b>	<b>7.37</b>	<b>0.0</b>
<b>TOTAL ENERGY</b>				<b>\$ 10,288,064</b>	<b>8.19</b>	<b>7.89</b>	<b>0.0</b>
<b>FINANCIALS</b>							
<b>CAPITAL MARKETS</b>							
EVERCORE PARTNERS INC	25,230	49.44	55.04	1,388,659	1.11	1.07	1.8
<b>COMMERCIAL BANKS</b>							
BANCORPSOUTH INC	82,200	15.63	23.50	1,931,700	1.54	1.48	0.9
COLUMBIA BANKING	61,185	20.55	24.77	1,515,552	1.21	1.16	1.9
COMMUNITY BANK SYSTEM	44,655	29.00	35.51	1,585,699	1.26	1.22	3.2
FIRST HORIZON NATL CORP	91,360	10.02	11.46	1,046,986	0.83	0.80	1.7
HANCOCK HOLDING COMPANY	32,460	32.32	33.78	1,096,499	0.87	0.84	2.8
HANMI FINANCIAL	44,780	20.46	21.31	954,262	0.76	0.73	1.3
HOME BANCSHARES INC	58,895	11.70	30.51	1,796,886	1.43	1.38	1.0
PROSPERITY BANCSHARES INC	21,910	33.38	58.13	1,273,628	1.01	0.98	1.7
TEXAS CAPITAL BANCSHARES	30,045	18.22	51.20	1,538,304	1.22	1.18	0.0
<b>TOTAL COMMERCIAL BANKS</b>				<b>\$ 12,739,516</b>	<b>10.14</b>	<b>9.77</b>	<b>1.5</b>
<b>CONSUMER FINANCE</b>							
FIRST CASH FINL SVCS INC	13,050	26.77	52.52	685,386	0.55	0.53	0.0
<b>DIVERSIFIED FINANCIALS</b>							
HFF INC	56,305	20.04	32.32	1,819,778	1.45	1.40	0.0
MARKETAXESS HOLDINGS INC	25,130	50.00	53.35	1,340,686	1.07	1.03	1.2
<b>TOTAL DIVERSIFIED FINANCIALS</b>				<b>\$ 3,160,463</b>	<b>2.52</b>	<b>2.42</b>	<b>0.5</b>
<b>REAL ESTATE</b>							
KENNEDY-WILSON	47,129	23.99	24.77	1,167,385	0.93	0.90	1.5
<b>THRIFTS &amp; MORTGAGE FINANCE</b>							
CAPITOL FEDERAL FINANCIAL INC	79,350	11.14	12.10	960,135	0.76	0.74	2.5
<b>TOTAL FINANCIALS</b>				<b>\$ 20,101,545</b>	<b>16.00</b>	<b>15.42</b>	<b>1.4</b>



ALASKA RETIREMENT MANAGEMENT BOARD  
 PORTFOLIO REVIEW  
 MAY 31, 2014

	AMOUNT	COST	LAST	MARKET VALUE	% SEG	% PF	YIELD
<b>EQUITIES</b>							
<b>HEALTH CARE</b>							
<b>BIOTECHNOLOGY</b>							
EXACT SCIENCES CORP	101,990	10.89	13.48	1,374,825	1.09	1.05	0.0
<b>HEALTH CARE EQUIP. &amp; SUPPLIES</b>							
CONMED CORP	22,620	47.10	44.90	1,015,638	0.81	0.78	1.8
CYBERONICS INC	27,620	34.66	60.80	1,679,296	1.34	1.29	0.0
CYNOSURE	51,466	25.53	21.78	1,120,929	0.89	0.86	0.0
DEXCOM	46,695	13.12	33.76	1,576,423	1.25	1.21	0.0
ENDOLOGIX INC	88,589	11.41	13.06	1,156,972	0.92	0.89	0.0
MWI VETERINARY SUPPLY INC	13,350	32.90	139.51	1,862,459	1.48	1.43	0.0
SPECTRANETICS CORP	75,877	18.31	21.44	1,626,803	1.29	1.25	0.0
<b>TOTAL HEALTH CARE EQUIP. &amp; SUPPLIES</b>				<b>\$ 10,038,520</b>	<b>7.99</b>	<b>7.70</b>	<b>0.2</b>
<b>HEALTH CARE PROVIDERS &amp; SVCS.</b>							
ACADIA HEALTHCARE	27,110	46.85	42.64	1,155,970	0.92	0.89	0.0
TEAM HEALTH HOLDINGS	49,150	20.29	50.77	2,495,346	1.99	1.91	0.0
<b>TOTAL HEALTH CARE PROVIDERS &amp; SVCS.</b>				<b>\$ 3,651,316</b>	<b>2.91</b>	<b>2.80</b>	<b>0.0</b>
<b>PHARMACEUTICALS</b>							
AKORN INC	95,897	12.31	27.97	2,682,239	2.13	2.06	0.0
<b>TOTAL HEALTH CARE</b>				<b>\$ 17,746,901</b>	<b>14.12</b>	<b>13.62</b>	<b>0.1</b>
<b>INDUSTRIALS</b>							
<b>AEROSPACE &amp; DEFENSE</b>							
HEXCEL CORPORATION	38,440	13.57	41.05	1,577,962	1.26	1.21	0.0
TELEDYNE TECHNOLOGIES	18,415	68.93	94.77	1,745,190	1.39	1.34	0.0
<b>TOTAL AEROSPACE &amp; DEFENSE</b>				<b>\$ 3,323,152</b>	<b>2.64</b>	<b>2.55</b>	<b>0.0</b>
<b>BUILDING PRODUCTS</b>							
PGT INDUSTRIES	65,050	10.93	8.61	560,081	0.45	0.43	0.0
<b>COMMERCIAL SERVICES &amp; SUPPLIES</b>							
MSA SAFETY INCORPORATED	11,525	56.02	54.66	629,957	0.50	0.48	2.3
<b>CONSTRUCTION &amp; ENGINEERING</b>							
PRIMORIS SVCS CORP	36,435	26.96	28.97	1,055,522	0.84	0.81	0.5
<b>ELECTRICAL EQUIPMENT &amp; INSTRUMENTS</b>							
BELDEN INC	31,765	29.92	71.99	2,286,762	1.82	1.75	0.3
FRANKLIN ELEC INC	43,040	21.00	38.30	1,648,432	1.31	1.26	0.9
<b>TOTAL ELECTRICAL EQUIPMENT &amp; INSTRUMENTS</b>				<b>\$ 3,935,194</b>	<b>3.13</b>	<b>3.02</b>	<b>0.6</b>
<b>INDUSTRIAL CONGLOMERATES</b>							
RAVEN INDS INC	30,080	15.14	31.35	943,008	0.75	0.72	1.5

ALASKA RETIREMENT MANAGEMENT BOARD  
PORTFOLIO REVIEW  
MAY 31, 2014

	AMOUNT	COST	LAST	MARKET VALUE	% SEG	% PF	YIELD
<b>EQUITIES</b>							
<b>INDUSTRIALS</b>							
<b>MACHINERY</b>							
ACTUANT CORP	43,220	20.89	35.53	1,535,607	1.22	1.18	0.1
BARNES GROUP, INC	42,900	26.21	37.38	1,603,602	1.28	1.23	1.2
CHART INDUSTRIES INC	10,942	59.13	71.89	786,620	0.63	0.60	0.0
HARSCO CORPORATION	43,595	26.66	26.98	1,176,193	0.94	0.90	3.0
MANITOWOC INC	56,110	18.62	27.05	1,517,776	1.21	1.16	0.3
TRIMAS CORP	27,609	36.43	35.11	969,352	0.77	0.74	0.0
<b>TOTAL MACHINERY</b>				<b>\$ 7,589,150</b>	<b>6.04</b>	<b>5.82</b>	<b>0.8</b>
<b>MARINE</b>							
DIANA SHIPPING INC	109,375	12.42	10.90	1,192,188	0.95	0.91	0.0
<b>TRADING COS. &amp; DISTRIBUTORS</b>							
ACETO	16,420	21.35	17.43	286,201	0.23	0.22	1.4
MRC GLOBAL	33,805	30.52	28.79	973,246	0.77	0.75	0.0
WESCO INTERNATIONAL INC	20,670	34.72	85.42	1,765,631	1.41	1.35	0.0
<b>TOTAL TRADING COS. &amp; DISTRIBUTORS</b>				<b>\$ 3,025,078</b>	<b>2.41</b>	<b>2.32</b>	<b>0.1</b>
<b>TOTAL INDUSTRIALS</b>				<b>\$ 22,253,328</b>	<b>17.71</b>	<b>17.07</b>	<b>0.5</b>
<b>INFORMATION TECHNOLOGY</b>							
<b>COMMUNICATION EQUIPMENT</b>							
ALLOT COMMUNICATIONS LTD	62,395	13.82	13.28	828,606	0.66	0.64	0.0
CIENA CORP	78,035	13.65	19.40	1,513,879	1.20	1.16	0.0
INFINERA CORP	120,685	7.06	9.10	1,098,234	0.87	0.84	0.0
LORAL SPACE & COMMUNICATIONS	14,150	61.10	72.34	1,023,611	0.81	0.79	0.0
SONUS NETWORKS INC	310,795	3.53	3.67	1,140,618	0.91	0.88	0.0
<b>TOTAL COMMUNICATION EQUIPMENT</b>				<b>\$ 5,604,947</b>	<b>4.46</b>	<b>4.30</b>	<b>0.0</b>
<b>ELECTRONIC EQUIP. &amp; INSTRUMENT</b>							
COHERENT INC	19,890	70.13	59.98	1,193,002	0.95	0.92	0.0
<b>INTERNET SOFTWARE &amp; SERVICES</b>							
E2OPEN INC	35,665	17.39	17.58	626,991	0.50	0.48	0.0
EURONET WORLDWIDE INC	41,465	29.35	47.14	1,954,660	1.56	1.50	0.0
LOGMEIN INC	40,925	24.84	42.57	1,742,177	1.39	1.34	0.0
SPS COMMERCE INC	17,335	55.48	56.89	986,188	0.78	0.76	0.0
<b>TOTAL INTERNET SOFTWARE &amp; SERVICES</b>				<b>\$ 5,310,016</b>	<b>4.23</b>	<b>4.07</b>	<b>0.0</b>
<b>IT CONSULTING &amp; SERVICES</b>							
ACXIOM CORPORATION	67,470	18.72	22.73	1,533,593	1.22	1.18	0.0
SAPIENT CORP	96,495	14.67	16.45	1,587,343	1.26	1.22	0.0
<b>TOTAL IT CONSULTING &amp; SERVICES</b>				<b>\$ 3,120,936</b>	<b>2.48</b>	<b>2.39</b>	<b>0.0</b>

ALASKA RETIREMENT MANAGEMENT BOARD  
 PORTFOLIO REVIEW  
 MAY 31, 2014

	AMOUNT	COST	LAST	MARKET VALUE	% SEG	% PF	% YIELD
<b>EQUITIES</b>							
<b>INFORMATION TECHNOLOGY</b>							
<b>SEMICONDUCTOR EQUIP. &amp; PRODUCT</b>							
RAMBUS INC	123,690	9.13	12.10	1,496,649	1.19	1.15	0.0
<b>SOFTWARE</b>							
ACI WORLDWIDE	30,930	39.91	54.31	1,679,808	1.34	1.29	0.0
ASPEN TECHNOLOGY INC	40,255	9.64	42.99	1,730,562	1.38	1.33	0.0
BOTTOMLINE TECHNOLOGIES INC	34,540	27.67	28.82	995,443	0.79	0.76	0.0
INTERACTIVE INTELLIGENCE GROUP	30,915	24.62	50.69	1,567,081	1.25	1.20	0.0
INTRALINKS HOLDINGS INC	97,766	10.42	8.71	851,542	0.68	0.65	0.0
MENTOR GRAPHICS CORP	33,660	19.02	21.19	713,255	0.57	0.55	0.9
<b>TOTAL SOFTWARE</b>				\$ 7,537,692	6.00	5.78	0.1
<b>TOTAL INFORMATION TECHNOLOGY</b>				\$ 24,263,242	19.31	18.62	0.0
<b>MATERIALS</b>							
<b>CHEMICALS</b>							
POLYONE CORP	44,035	24.49	40.13	1,767,125	1.41	1.36	0.8
<b>CONSTRUCTION MATERIALS</b>							
HEADWATERS INC	101,475	9.91	12.93	1,312,072	1.04	1.01	0.0
<b>CONTAINERS &amp; PACKAGING</b>							
GREIF INC	30,205	51.39	54.62	1,649,797	1.31	1.27	3.1
<b>METALS &amp; MINING</b>							
CARPENTER TECHNOLOGY INC	17,560	24.50	62.49	1,097,324	0.87	0.84	1.2
COMMERCIAL METALS CO	82,350	14.36	17.75	1,461,713	1.16	1.12	2.7
WORTHINGTON INDUSTRIES	32,980	40.93	40.30	1,329,094	1.06	1.02	1.5
<b>TOTAL METALS &amp; MINING</b>				\$ 3,888,131	3.09	2.98	1.9
<b>TOTAL MATERIALS</b>				\$ 8,617,124	6.86	6.61	1.6
<b>TELECOM SERVICES</b>							
<b>DIVERSIFIED TELECOM. SERVICES</b>							
RUCKUS WIRELESS	91,495	13.64	10.80	988,146	0.79	0.76	0.0
<b>TOTAL EQUITIES</b>				\$ 125,662,519	100.00	96.41	0.6
<b>CASH EQUIVALENTS</b>							
AY70 SHORT TERM POOL AK ST	4,644,653			4,644,653	100.00	3.56	1.3
<b>TOTAL CASH EQUIVALENTS</b>				\$ 4,644,653	100.00	3.56	1.3
<b>TOTAL INVESTMENTS</b>				\$ 130,307,172		99.97	0.6
<b>ACCRUAL</b>				32,927		0.03	
<b>TOTAL PORTFOLIO</b>				\$ 130,340,099		100.00	

# LUTHER KING CAPITAL MANAGEMENT SMALL CAP CORE COMPOSITE

## Full Disclosure Presentation as of March 31, 2014

Year	(1/1-3/31)	Total Return		Small Cap Core Comp		3-Year Annualized Standard Deviation		Russell 2000 Index	Small Cap Core Comp		Number of Accounts	Small Cap Core Assets (millions)		Percentage of Firm Assets	Total Firm Assets (millions)
		Gross of Fees	Net of Fees	Russell 2000 Index	Annual Standard Deviation	NA %	Small Cap Core Comp	NA %	Small Cap Core Comp	Russell 2000 Index		Assets (millions)	Assets (millions)		
2014	(1/1-3/31)	-1.12 %	-1.31 %	1.12 %		NA	NA	NA	NA	NA	39	2253	15.2	%	14788
2013		36.09	35.09	38.82	0.4	16.25	16.45	16.45	16.45	16.45	41	2379	16.2		14722
2012		10.92	10.05	16.35	0.3	19.27	20.20	20.20	20.20	20.20	44	1852	16.4		11264
2011		5.09	4.26	-4.18	0.5	22.12	24.99	24.99	24.99	24.99	41	1673	19.1		8780
2010		34.17	33.14	26.85	0.5	NA	NA	NA	NA	NA	41	1632	20.1		8111
2009		33.51	32.44	27.17	1.0	NA	NA	NA	NA	NA	45	1351	19.4		6976
2008		-38.52	-39.09	-33.79	0.4	NA	NA	NA	NA	NA	49	1039	18.4		5635
2007		0.63	-0.18	-1.57	0.5	NA	NA	NA	NA	NA	47	1640	21.2		7743
2006		16.76	15.86	18.37	0.7	NA	NA	NA	NA	NA	36	1530	21.1		7261
2005		15.42	14.61	4.55	0.2	NA	NA	NA	NA	NA	21	1099	17.2		6377
2004		23.28	22.49	18.33	0.9	NA	NA	NA	NA	NA	6	509	9.4		5399

NA - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year and/or the period is a partial year and/or the information was not required.

Luther King Capital Management (LKCM) is a registered investment adviser under the Investment Advisers Act of 1940 and is defined as an independent investment management firm. LKCM claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. LKCM has been independently verified for the periods January 1, 1992 through December 31, 2011. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Small Cap Core Composite has been examined for the periods October 1, 1994 to December 31, 2011. The verification and performance examination reports are available upon request. The firm-wide verification and composite performance examination for the period January 1, 2012 through December 31, 2012 is currently being conducted.

The Small Cap Core Composite contains all fully discretionary taxable and non-taxable, fee-paying small cap accounts under management. Our small-cap strategy seeks to generate investment returns that exceed the applicable benchmark while attempting to manage portfolio risk and volatility. Our small-cap strategy seeks to achieve its investment objective through fundamental analysis of individual companies and seeks high quality companies based on various criteria, such as profitability levels, balance sheet quality, competitive advantages, market share positions, ability to generate excess cash flows, meaningful management ownership stakes, reinvestment opportunities, and relative valuation. The strategy typically purchases securities of companies with market capitalizations between \$400 million and \$3 billion at the initial time of purchase. For comparison purposes, the composite is measured against the Russell 2000 Index, which is a market capitalization weighted index that is the most representative of the market capitalization of the securities in this composite.

January 1, 2003 is the effective creation date of the Small Cap Core Composite. Quarterly performance from October 1, 1994 to March 31, 2014 is available upon request. The annual standard deviation presented is an asset-weighted calculation of performance dispersion for accounts in the composite the entire year. The Small Cap Core Composite included portfolio(s) that paid a bundled fee, which includes all charges for trading costs, portfolio management, custody, and other administrative fees. The year-end percent of composite assets is as follows: 2007: 0.49%; 2008: 0.41%. Gross returns for bundled fee portfolio(s) are presented as supplemental information as they do not reflect the deduction of any trading costs, fees, or expenses. Net returns for bundled fee portfolio(s) reflect the deduction of all charges for trading costs, portfolio management, custody, and other administrative fees. Ten years annualized compound return ending March 31, 2014: Small Cap Core Composite 10.69% (gross); 9.83% (net); Russell 2000 Index 8.53%. The current management fee schedule for this composite is as follows: 1% on the first \$5,000,000; 75 of 1% on the next \$5,000,000; 50 of 1% above \$10,000,000; minimum annual fee \$30,000. LKCM Small Cap Equity Fund fees are calculated and paid quarterly in arrears, at annualized rates up to 0.75% of the Fund's average daily net assets. In some instances, LKCM voluntarily waives these fees and/or reimburses the LKCM Small Cap Equity Fund in order to maintain a designated expense ratio. LKCM may adjust or otherwise negotiate management fees in its discretion and, therefore, clients may have a different fee schedule. For a complete list of our management fees, please see our Form ADV, Part 2A.

Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Effective January 2010, this composite is to stay over 80% invested in stocks at all times. Effective January 1, 2005, new accounts are added quarterly when the account is at least 75% invested and fully representative of investment style. Prior to January 1, 2005, accounts were added soon after inception on a quarterly basis and/or when considered fully representative of investment style. A complete list and description of the firm's composites is available upon request. Terminated accounts are included through the last full calendar quarter under management. Results are presented before taxes, both gross of management fees and net of actual management fees, net of commissions and other transaction costs, and include the reinvestment of all income. The U.S. dollar is the currency used to express performance. Past performance is not indicative of future results.





**LUTHER KING CAPITAL MANAGEMENT**  
**SMALL CAP CORE COMPOSITE**  
**PERFORMANCE RESULTS\***  
**OCTOBER 1, 1994 - MARCH 31, 2014**

Annualized Returns Ending 3/31/14	Total Return		Equities Only	Cash Only	Russell 2000 Index
	Gross of Fees	Net of Fees			
1 Year	23.26 %	22.37 %	24.23 %	0.22 %	24.90 %
2 Years	14.44	13.57	15.20	0.21	20.52
3 Years	11.61	10.75	12.22	0.21	13.18
4 Years	17.82	16.91	18.71	0.21	16.21
5 Years	25.27	24.31	26.59	0.23	24.31
6 Years	11.46	10.58	11.88	0.52	10.85
7 Years	7.95	7.09	8.24	1.09	7.08
8 Years	7.13	6.27	7.41	1.53	6.93
9 Years	10.03	9.16	10.44	1.70	8.89
10 Years	10.69	9.83	11.18	1.67	8.53
11 Years	13.77	12.91	14.56	1.66	12.67
12 Years	10.38	9.55	11.09	1.67	8.67
13 Years	11.28	10.46	12.22	1.79	9.07
14 Years	10.53	9.72	11.72	2.10	7.12
15 Years	11.61	10.80	NA	NA	8.91
16 Years	9.67	8.87	NA	NA	7.13
17 Years	11.18	10.36	NA	NA	8.92
18 Years	11.39	10.57	NA	NA	8.71
19 Years	12.42	11.60	NA	NA	9.69
19 1/2 Years	12.51	11.68	NA	NA	9.58

The results shown above should be reviewed along with Luther King Capital Management's full disclosure presentation. If you have not received a copy of the full disclosure presentation, please contact Luther King Capital Management for a copy. Segment results will not include any registered investment companies (mutual funds) which are included in the composite's total return. Segment returns, equities only and cash only, are supplemental information to this composite. Past performance is not indicative of future results.

Alaska Retirement Management Board  
2014 Meeting Calendar

September 17 – Wednesday	Committee Meetings:   Audit Budget Real Assets Salary Review
September 18-19 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2 <sup>nd</sup> Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October 16-17 New York City	Education Conference
October ____	Audit Committee
December 3 – Wednesday	Committee Meetings:   Audit Legislative
December 4-5 Thursday-Friday Anchorage	Audit Report - KPMG Performance Measurement – 3 <sup>rd</sup> Quarter Manager Review (Questionnaire) Private Equity Review *Manager Presentations

Alaska Retirement Management Board  
2015 Proposed Meeting Calendar

February 11 – Wednesday	Committee Meetings:   Audit Legislative
February 12-13 Thursday-Friday Juneau	*Review Capital Market Assumptions *Manager Presentations
April 22 – Wednesday	Committee Meetings:   Legislative
April 23-24 Thursday-Friday Anchorage	*Adopt Asset Allocation *Performance Measurement – 4 <sup>th</sup> Quarter *Buck Consulting Actuary Report *GRS Actuary Certification *Review Private Equity Annual Plan *Manager Presentations
June 17 – Wednesday	Committee Meetings:   Audit
June 18-19 Thursday-Friday Anchorage	*Final Actuary Report/Adopt Valuation/Contribution Rates *Performance Measurement – 1 <sup>st</sup> Quarter *Manager Presentations
September 16 – Wednesday	Committee Meetings:   Audit Budget Real Assets Salary Review
September 17-18 Thursday-Friday Fairbanks	*Audit Results/Assets – KPMG *Approve Budget *Performance Measurement – 2 <sup>nd</sup> Quarter *Real Estate Annual Plan *Real Estate Evaluation – Townsend Group *Manager Presentations
October _____ New York City	Education Conference
October ____	Audit Committee
December 2 – Wednesday	Committee Meetings:   Audit Legislative
December 3-4 Thursday-Friday Anchorage	Audit Report - KPMG Performance Measurement – 3 <sup>rd</sup> Quarter Manager Review (Questionnaire) Private Equity Review *Manager Presentations

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**M E M O R A N D U M**

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To: ARMB Trustees  
From: Judy Hall  
Date: June 13, 2014  
Subject: Financial Disclosures

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As required by AS 37.10.230 and Alaska Retirement Management Board policy relating to investment conduct and reporting, trustees and staff must disclose certain financial interests. We are hereby submitting to you a list of disclosures for individual transactions made by trustees and staff.

Name	Position Title	Disclosure Type	Disclosure Date
Victor Djajalie	Investment Officer	Equities	4/16/14 5/23/14